AN EMPIRICAL ANALYSIS OF LIBYAN BUSINESS ENVIRONMENT AND FOREIGN DIRECT INVESTMENT

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ABSTRACT

The economic development needs of developing countries require capital accumulation, which is no longer an easy task, even for industrialised countries. Although borrowing remains an important alternative, it has proved to be an expensive method in the long run. Consequently, to attract foreign direct investment (FDI), developing countries have been liberalising their economies, which is expected to contribute to job creation and income generation.

At the beginning of the 21st century Libya declared its intention to liberalise its economy and to integrate into the global economy in order to achieve comprehensive development. This study investigates and explores the conditions of the Libyan business environment in relation to foreign and joint companies, particularly in the non-oil sectors.

A questionnaire survey method was utilised to assemble the primary data. This was conducted with the representatives of both foreign and joint companies in order to establish their perceptions and opinions towards the Libyan business environment across various dimensions. In addition, a structured interview method was used with the Libyan senior officials to investigate the difficulties and challenges facing the General People's Committees and bodies in improving the business environment.

The questionnaire data were analysed using SPSS through descriptive and analytical statistics by employing frequency, factor analysis, chi-square of goodness of fit test and cross-tabulation tools, while interviews were analysed by using coding technique through interpretative analysis. To substantiate the results, the Porter model was utilised supported by a SWOT analysis with the objective of gauging how competitive the Libyan business environment is for attracting foreign direct investment.

The study reveals that despite the numerous obstacles and shortcomings associated with the Libyan business environment, the country's experiment for attracting FDI in the non-oil sectors can be described as successful. It also shows that despite this success, many foreign and joint projects have been cancelled as a result of difficulties associated with the Libyan business environment. The study also revealed that there are many challenges facing Libyan policy environment in order to reform the business environment to make it more attractive for FDI.

DECLARATION

I hereby declare that no portion of the work that appears in this study has been used in support of an application of another degree in qualification to this or any other university or institution of learning.

DEDICATION

I dedicate this work to the memory of my father, then to all Libyans and those interested in issues of investment and economic development.

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First of all, praise is to Allah, the Almighty, on whom ultimately we depend for sustenance and guidance.

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LIST OF ABBREVIATIONS

AMF	Arab Monetary Fund
ANOVA	Analysis of Variance
API	Arab Planning Institute
ASEAN	Association of Southeast Asian Nations
EU	The European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GIA	General Information Authority
GNP	Gross National Product
GPC	General People's Committee
GTAP	The Global Trade Analysis Project
IAIGC	Inter Arab Investment Guarantee Corporation
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
IPA	Investment Promotion Agency
ITC	International Trade Centre
ITU	International Telecommunications Union
KMO	Kaiser-Meyer-Olkin Test
LD	Libyan Dinar- Currency of Libya
LDCs	Least Developed Countries
LIB	Libya Investment Board
MIGA	Multilateral Investment Guarantee Agency
MNC	Multinational Corporation
NASR	National Authority for Scientific Research
NCEP	National Council for Economic Planning
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OIC	Organization of the Islamic Conference
OPEC	Organisation of Oil Producing Countries
PAID	Public Authority for Information and Documentation
SPSS	Social Package for Social Science

UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development programme
USAID	United States Agency for International Development
WEF	World Economic Forum
WTO	World Trade Organization

CHAPTER ONE
INTRODUCTION

1.1 INTRODUCTION

Lying in the middle of the North African region Libya has a significant geographical location. The vast Libyan land extends from the middle of the northern coast of Africa to the central African highlands. The Libyan boarders occupy 1900 kilometres or otherwise extend 12 knots along the southern Mediterranean coast, separated from the southern European coast by the Mediterranean. Moreover, the Libyan land extends between 1900 to 2000 kilometre into the African main land whereby a number of caravan routes link it to the Sudan and West Africa. These routes had played a major role in the past regards transport and trade activities between the Mediterranean and the northern Sahara (Shernanna and El-Fergani, 2007). Furthermore Libya has numerous resources of oil and gas besides other natural resources such as the vast arable land, water resources, the climate, animal and marine resources not to mention its tourism potentials and the various mineral resources.

The Libyan Jamahiriya, as is the case with some developing countries, suffers from numerous financial and economic problems such as a dependency on the oil and gas sector as the main source of the national income. In addition, the limited capacity of its local market given its relatively small population of not more than 5.7 million with per capita income at level of LD 8665.0 in 2006 (Central Bank of Libya, 2008). However, the huge potential of the hydrocarbon sector, the high levels of financial flows generated from these resources that can provide a reliable source of capital, and the need to develop the country's infrastructure should make Libya a target for foreign direct investment (FDI). Such investment is promising for the simple reason that the use of the associated modern technology provides the ideal investment for the local natural resources.

Foreign investment, particularly FDI, is not a new phenomenon in Libya. The first law in relation to FDI came into force in Libya on 30 January 1958. This was followed by Law No. 37 of 1968, which was amended by Law No. 5 of 1997 with regard to the encouragement of the foreign capital, and which came to force on 29

May 1997, sometime before the enforcement of its executive regulations. A further limited amendment was implemented by Law No. 7 of 2003, which made it possible for local business using capital in Libyan Dinars (LD) to participate in joint ventures with the foreign companies. This law is mainly concerned at encouraging foreign capital, particularly in relation to projects which benefit from the introduction of new technology, training of local staff, diversification of income, the development of local products to meet international standards or otherwise contributing to local development (Article One of Law No. 7). Moreover, the idea of attracting the FDI into the Libyan economy is not new as it started as early as the 1950s. Thereafter FDI played a major role in the discovery of the huge oil and gas reserves which has contributed to increasing the foreign earnings for the state. These earnings have made it possible for the state to push ahead with its programmes of social and economic development across the economy for almost half a century.

However, despite the aforementioned advantages FDI in areas other than the hydrocarbon sector has rarely been attracted to Libya. Furthermore, FDI has made little contribution towards increasing the rate of capital accumulation in the Libyan economy. FDI has not exceeded 1.99% of total investment in the 1980s and 1990s. In other words that ratio would indicate that only US$199 would become available for every US$10,000 of the total investment required for economic development in Libya. But as yet most of the FDI in Libya has been directed towards the oil and gas sector (El-Fergani, 2002).

As a result, this study analyses the reasons which inhibit the flow of FDI into the non-oil sectors in Libya, particularly during the period following the establishment of the Libyan Investment Board (LIB) which was established in 1998. All those reasons and factors however, could be referred to as obstacles, barriers, difficulties, problems etc. featuring the FDI companies and the Libyan General Peoples' Committees (GPCs).

1.2 AIM AND OBJECTIVES

The research aims to investigate whether or not the Libyan business environment is appropriate to attract foreign companies, particularly in the non-hydrocarbon sectors. Consequently, the research objectives include the following:

First: establishing a relationship between the inflow of FDI and the process of economic development in order to establish a macroeconomic framework for the research.

Second: a description of the main Libyan economic resources, including human, natural and man-made resources in order to establish main components of the Libyan economy and these components' potential to attract FDI to the non-hydrocarbon sectors.

Third: discussing the Libyan investment climate by assessing the social, political, economic, financial, administrative, organisational, legislative and legal conditions in order to gauge the barriers created by the current situation.

Fourth: investigating the appropriateness of the Libyan business environment elements through the perceptions of the representatives of foreign companies (who are registered at the LIB), particularly in the non-hydrocarbon sectors.

Fifth: examining the problems and difficulties that face both foreign and joint companies (who are registered at the LIB) through the perceptions of the authorised investors.

Sixth: investigating the challenges that face the Libyan GPCs (through the perception of the Libyan senior officials) in terms of improving the business environment.

Seventh: evaluating the Libyan business environment by using both nation's competitive advantage and SWOT models to gauge it suitability for attracting more FDI.

Eighth: providing recommendations regards the policies and procedures which can be helpful in improving the Libyan business environment to enable it to attract more FDI in the non-hydrocarbon sectors.

1.3 RESEARCH QUESTIONS

This research aims to answer five main groups of questions each of which in related to the questionnaire and interviews that were undertaken to gather primary data for this study. These groups of questions are the following:

Questions one: What obstacles facing investors in relation to the human resources required for FDI operations? To what extent do representatives of foreign

and joint companies feel satisfied with the quality of local labour? The first part of the questionnaire was designed to find answers for this set of questions, in particular questions 14 and 15.

Questions two: To what extent do foreign and joint companies in the Libyan market rely on local natural resources? What are the difficulties facing these companies in relation to the use of local natural resources? The second part of the questionnaire featuring questions 16 and 17 were designed to find answers to those questions.

Questions three: To what extent do international investors in the Libyan economy feel satisfied with the quality of the infrastructure? The fourth part of the questionnaire, in particular question 18, dealt with this matter.

Questions four: To what extent are foreign investors satisfied with the conditions related to the Libyan investment climate? The fifth part of the questionnaire featuring questions 19 to 24 was devoted to establish the attitudes of investors.

Questions five: To what extent are the senior Libyan officials aware of the importance of the inward flow of FDI to boost the process of economic development? What are the strategies involved, and what are the difficulties or challenges facing the improving of the business environment? Interviews with senior Libyan officials are the basis for answering this set of questions.

Questions Six: What are the competitive advantages of Libya? What are the strengths and weaknesses of, and threats to and opportunities for the Libyan business environment in relation to attracting FDI? The analysis provides the answer to this set of questions.

1.4 RATIONALE OF THE STUDY

The importance of this study stems from the fact that the many ways in which FDI benefits economic activity means that FDI is at the core of modern theories of development. For example, foreign investment adds to the pool of accumulated local capital. Moreover, investment tends to boost output which in turns increases income through what is called the theory of investment multiplier. As the economy attains the level at which it can multiply, the revenues generated from this growth increases income as well as savings. The latter can be turned into new investment provided that

there are low barriers in preventing the transfer of savings into productive investment capital. Therefore, Libya, as a developing country, needs to ensure investment efficiency to harness economic resources and the use of advanced technology in order to improve economic efficiency.

This study analyses the main obstacles to inflows of FDI. It also, conducts research among representatives of foreign companies and Libyan senior officials regarding the convenience of the Libya investment environment for foreign investment, and the chances of and possible methods of improving this environment; hence the research directly reflects the views of the participants based on their experience.

This study also culminates seven years of investigation by the researcher into the effects of FDI in the Libyan economy. In this regard, the researcher has written three books in Arabic. These books are: "*The Main Resources in the Libyan Economy*" which was published in 2007; "*Globalization and Developing Countries: According to the Perspective of FDI*" which was published in 2004; and "*Towards a Strategy for Activating the Inter-Arab Investments for Economic Development*" which was published in 2002.

1.5 RESEARCH METHODOLOGY

The research methods used in this study are based on qualitative research techniques, and consist of two modes of data collection. The first was a questionnaire through which primary data from the representatives of the foreign and joint companies were assembled with the objective of establishing their attitudes towards Libyan business environment. The field research for this study was undertaken in 2009, at 94 foreign and joint companies registered with the LIB and operating in Libya. To ensure that the four relevant aspects-category, status, economic sector, and location-were covered 50% of the research population was taken as a sample.

After selecting the research sample target by using a stratified random sampling technique, it was discovered that a number of companies had more than one authorisation. As a result the total number of authorised companies was 83, each of which was sent a questionnaire by post. 72 questionnaires were returned, of which 68 were complete and four were rejected as incomplete. Thus, the questionnaire return rate was 81.9% with 0.818 according to Cronbach's Alpha scale.

By using SPSS version 16 system, analytical descriptive and statistical analysis was conducted using frequency, factor analysis, chi-square of goodness of fit and cross-tabulation tools.

The second method of data collection was structured interviews, which were conducted with the senior Libyan officials. The phrase senior officials refer to government officials who hold key supervisory positions at different levels of responsibility from the head of departments up to the Secretaries of the GPCs (cabinet). Consequently the interview population included 14 individuals, three of whom were from the GPC for Economics, Trade and Investment (two were Heads of Department and one was the Secretary of the GPC), and the remaining eleven were from the LIB. By selecting 50% and using a convenience sample technique the research sample was reduced to seven senior officials, one from the GPC for Economics, Trade and Investment, and six from the LIB. Due to the small size of the sample, the data was analysed manually through an interpretative technique.

After summarising the research findings and categorising them as variables, the nation's competitive advantage and SWOT models were developed to evaluate the Libyan business environment in relation to attracting FDI.

1.6 THE ORGANISATION OF THE STUDY

The research consists of ten chapters, two of them (chapters two and three) relate to the theoretical foundations of the study. Six others (from four to nine) are devoted to the empirical study.

Chapter one starts with an introduction to the research. It provides a statement of the problem, aims and objectives of the research, a number of research questions, a rationale for the study, and research methodology as well as the outline of the research.

Chapter two reviews the relationship between FDI and economic development which forms the background to the empirical study. Several issues are investigated in this chapter: namely, the modern theory of economic growth, the concept of FDI, the effect of FDI on economic growth, determinates of FDI and policies that contribute towards improving the business environment.

Chapter three investigates the main economic resources in the Libyan economy, in terms of availability and quality with an emphasis on three elements:

human resources, natural endowments and the infrastructure. In addition, it discusses the Libyan investment climate. It is concerned with the concept of the investment climate as well as a combination of political, social, economic, financial, administrative and legislative conditions which can affect the flow of FDI into the country. It also examines Libyan policies and guarantees provided by the Libyan government to foreign companies. Furthermore, it focuses on the development of investment policies and the development of FDI in the Libyan economy.

Chapter four discusses the research methodology by making reference to the research design, its strategy, and the research instruments employed. Data analysis is also discussed in the chapter, as is limitation and difficulties associated with the fieldwork.

Chapter five is devoted to the descriptive analysis of the questionnaire findings from the survey. This chapter consists of the background characteristics of the individuals and companies, economic resources, investment climate, guarantees and polices. In addition, the chapter analyses and summarises the findings of the structured interview with the Libyan senior officials.

Chapter six is focused on the statistical analysis of the research findings from the survey in relation to economic resources. It is concerned with the main barriers in relation to human resources, natural resources and the infrastructure.

Chapter seven is devoted to the statistical analysis of the research findings from the survey in relation to the Libyan investment climate. This chapter looks at the main barriers with respect to the social and political conditions. It also focuses on the obstacles in relation to economic and financial matters, as well as the obstacles associated with administrative and organisational issues.

Chapter eight focuses on the statistical analysis of the research findings in relation to the Libyan guarantees and policies toward FDI. It is concerned with the main barriers in respect to the legal guarantees. In addition, it presents proposed policy changes according to the opinion of the representatives of the foreign and joint companies.

Chapter nine is dedicated to a discussion of the main findings from data analyses, which were presented in chapters from five to eight. They are discussed in

depth in order to evaluate and understand the factors behind the attitudes and perceptions which were highlighted by data analysis.

Chapter ten presents the conclusions based on the empirical findings of the research, in addition to the recommendations of the study, and finally suggestions for further research.

CHAPTER TWO
FOREIGN DIRECT INVESTMENT AND ECONOMIC DEVELOPMENT

2.1 INTRODUCTION

Economic growth and development have remained an area of concern for developing countries since the end of the Second World War. In order to achieve economic development, adequate economic resources are necessary. These resources can drive the economy to attain higher levels of growth, to the point of overcoming potential barriers, the most important of which is explosive population growth (Taboli, 1993).

The strategic role that investment plays is prominent in attaining economic growth, because increasing the level of capital accumulation is the most essential factor to help overcome barriers to economic development. Sufficient levels of investment, at least, in the neo-classical sense, can ensure a rate of growth of the national income exceeding the rate of population growth. Eventually this boosts individual incomes and savings can be directed towards further investment projects, which can boost production. Consequently, a sustainable increase in the growth of national and individual income can be achieved (El-Fergani, 2004).

In this context, inadequate resources in developing countries constitute a major obstacle to economic development. FDI has gained in importance as one of the major sources for funding in developing countries, in which low levels of domestic capital have failed to meet the requirements of investment needed to achieve the desired levels of economic growth and the subsequent economic development. Thus, FDI helps economic development by reducing the need for the tough policy decisions, such as austerity measures. Inward flows of FDI not only increase the chances of boosting the available resources, but also enhance the efficiency of the local resources. In other words, FDI tends to activate otherwise unused resources, in addition to increasing the productivity of the local resources which are already in use (El-Fergani, 2003).

This chapter reviews the literature in order to investigate the nexus between economic growth and development and FDI. Section two discusses modern theories

of economic growth, while section three is concerned with the concept of FDI. In section four the effects of FDI on economic growth are assessed. Section five discusses the most important determinants of FDI, while section six focuses on polices that can improve the investment climate.

2.2 MODERN THEORIES OF ECONOMIC GROWTH

Before discussing the theoretical framework, it is important to state that FDI has micro-economic and macro-economic foundations. This study, however, focuses on macro-economic issues that can improve the business environment in order to attract FDI. It is also appropriate to give a brief and conceptual introduction to economic growth and development. In surveying the literature, it can be seen that advances in the traditional scientific ideas in the 1940s and 1950s culminated in the emergence of a new branch of economics known as development economics. Consequently, economic experts started to focus on ways to bring development to the Less Developed Countries (LDCs). By accepting the idea of mutual interests between advanced countries and LDCs, economists realised the importance of aspects such as international trade, capital flows and economic aid as means for promoting development.

Development economic theory emphasises the pivotal role played by factors such as the rapid accumulation of capital, manufacturing, surplus labour in the countryside, efficient planning and so on in the development process. This is highlighted by the dual economic model developed by Lewis (1954). Meier refers to the development economists who contributed to the promotion of these recommendations as “the first generation of development economists” (2001). The essence of these theories involved finding a solution for poverty by achieving big push and balanced growth which in turn will lead to demand integration (Rosenstein & Rodan, 1943). This will increase the total demand which will achieve ‘the critical minimum effort’ that will enable the country to achieve higher levels of income as well as the subsequent conditions for spontaneous economic growth (Nurkse, 1943; Rosenstein-Rodan, 1943; Leibenstein, 1957; Rostow, 1960; Hayami, 1997; Bruton, 2001). Empirical examples of the economic performance of LDCs between 1960 and 1973 show that focussing on these issues were justified as these issues still remain central to the economic development process (Sen, 1983; Stern, 1989). Further evidence also indicates that many LDCs contributed to the economic growth process

during that period, while statistics shows that the growth of annual per capita income exceeded 2.5% in 43 of these countries, which means per capita income will double within 28 years or less than (Rodrik, 1999). For example, if the growth rate for any amount (such as per capita income) is known, then the time required for this amount to double can be deduced as a quotient of 70 divided by the rate of growth. This estimate is based on the assumption that the growth of the relevant amount is continuous:

$$x_t = x_o\, e^{rt}, \quad \ldots\ldots\ldots\

makes the study of development part and parcel of the application of neo-classical theory (Bardhan and Audrey, 1999; Paso, 1997).

Also in contrast to the first generation approach which focused on macro-economic models of development, the approach of the second generation (consistent with neo-classical economic theory) focuses on the micro-economic level of productive units and individual consumers. In the new development theory attention has been diverted from absolute development to focus on specific aspects of under-development by using more accurate mathematical models based on data at the individual level as well as the level of production units.

Most studies by the second generation are critical of the defects associated with development policies in developing countries such as price distortions, the outright protection of greed and other behavioural patterns that seek maximum profit. The second generation concludes that it is domestic policies rather than unfavourable external circumstances that contribute to the failure of developing countries to take advantage of foreign economic opportunities. The second generation also argues that the correct policies should favour the private sector over the public sector, should promote a market economy, should attract FDI, and should open foreign trade in order to boost exports. These policies take advantage of the theory of spontaneous growth which promotes the importance of human power and literacy, the introduction of new production technologies, and the exchange of knowledge between countries in the context of open economies. Spontaneous growth theory also predicts the possibility that underdeveloped nations will catch up with the advanced nations, provided that the former succeed in closing the production technology gap between the two. The promotion of literacy associated with the free movement of capital across political borders is most likely to bridge the gap.

The availability of investment capital is a pre-condition, but not the only determining factor, for economic growth. Apart from material factors such as natural resources and capital, human capital is also necessary for economic growth. Hence the concept of capital should be extended to incorporate the various forms of human capital. Romer and Lucas (1988) introduced the Endogenous Growth Model suggesting that the accumulation of capital including the human capital (in its various forms) is always an advantage for raising growth rate. The simple fact is that investment not only tends to improve the productivity of the unit, but also the

productivity of all other associated units. This model highlights the importance of accumulation of capital, including the technological know-how, to the production process and future returns. This perspective implies that the growth of human capital and of technological know-how constitute the main determinants of economic growth. This has led to the emergence of the modern theory of growth. The main aim of the theory is to incorporate long term growth in the domain of economic analysis. For this reason this theory is best known as Endogenous Growth Theory (Romer & Lucas, 1988).

Romer (1998) believes that the main idea behind modern growth theory is increased returns as a result of the improving technological know-how. Kurtzman (1997) think that the physical world is characterized by diminishing returns. Diminishing returns are the result of the scarcity of physical objects is that ideas are not scarce and the process of discovery in the realm of ideas does not suffer from diminishing returns. Romer, therefore, initiated the integration of research and development (R&D) and imperfect competition within the framework of growth in the late 1980s, with significant contributions by other authors; most importantly by Grossman and Heipman (1994) and Barro and Sala-Imartin (1995). These models indicate that technological advances result as a natural outcome of R&D, and that as long as the nation is not running out of ideas, positive rates of growth should continue in the long-run.

With regard to the modern growth theory two closely related aspects need to be emphasised: the first is that the theory considers technological advances as a product of competent economic performance, whereas previous theories have considered technology as a given variable regardless of the market; and the second is that the theory tends to emphasise that contrary to material factors technological know-how is unique in that it provides economic returns that tend to motivate the process of economic growth particularly in the long term.

By and large technology becomes important as knowledge-based economies become important worldwide. The notion of information-led development is clearly reflected by the theories of economic growth. For example, in the 1960s the factor of technology was indirectly integrated into the formula of economic growth through the factors of capital and labour.

It can be maintained that the essence of modern growth theory is knowledge which leads to economic growth. Hence, as ideas are conceived these can be invested to increase productive efficiency and profits. Knowledge, however, has nothing to do with the principle of inconsistent returns. Moreover, this theory focuses on sustainable transformation from resource-dependent economies to knowledge-dependent economies, confirming that processes associated with the promotion of new knowledge always play a crucial role in the formation of nations (Jones, 1988).

2.3 THE CONCEPT OF FDI

Foreign investment can be classified into two categories: the first relates to the movement of capital and other resources across borders and can be narrowly defined as FDI as it concerns financial control over organisations or companies as a crucial factor in the definition; and the second relates to the legislation concerned with the protection of foreign investment. The second category provides a broader definition of the concept of investment as it includes different types of assets, titles and contractual rights (Ghazali, 2004).

The United Nations Conference on Trade and Development (UNCTAD) (2008:17) defines FDI as a long term relationship between companies in the source country (the investor) and another company in the host country (country of investment). Thus according to this definition the source company (the foreign investor) is defined as the company that owns assets in another company or production unit that belongs to a country other than its native country. To adhere to this definition of foreign investment, the investing company has to hold not less than 10% of the normal shares or the voting power on the board of the registered companies or their equivalent of other companies. The local companies are labelled as subsidiary units or affiliates.

Despite the fact that this definition is influenced by the patterns of flow of foreign investment among the highly industrialised countries, where mergers between giant companies and monopolies over company assets give them the upper hand, it can still work in cases where individual foreign companies are involved. Based on this definition FDI includes the possession of part of the capital through the purchase of shares in the subsidiary company, or the reinvestment of profits made by the subsidiary company instead of distributing it to share holders, or short-term or long-term borrowing or credit between the main company and its subsidiary companies,

sub-contracts, management contracts, concessions, and licenses for producers and service providers.

The Arab Investment and Export Credit Guarantee Corporation defines FDI as the flow of capital in the form of financial assets or production assets, material or otherwise coming from outside the host country, and which features in independent or joint investment projects for business purposes (The Arab Investment and Export Credit Guarantee Corporation, 1987:14)

From these definitions, it is apparent that FDI is a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in a firm (direct investment firm) that is resident in an economy other than that of the direct investor. FDI usually features a long-term relationship between the direct investor and the target company, in addition to the potential control available to the investor on the board of directors of the company. The direct investor can be an individual or legal entity from the public or private sector, a group of people, a company or group of companies, a government or a government organisation, or any other organisation such as an international financing organisation. The direct investment institution can be defined as an institution in which 10% or more of its normal shares or voting power in case of stock companies, or an equivalent in case of non-stock companies belongs to a foreign investor (Shernanna & El-Fergani, 2006:46)

Direct investment enterprises are corporations, which may either be subsidiaries, in which over 50% of the voting power is held, or associates, in which between 10% and 50% of the voting power is held, or they may be quasi-corporations such as branches which are effectively 100% owned by their respective parents. The relationship between the direct investor and its direct investment enterprises may be complex and bear little or no relationship to management structures (UNCTAD) (2008:19).

It is important to note that FDI has numerous forms, of which the most important associated with developing countries are the following (El-Fergani, 2004):

(i) Investment in the field of natural resources, where FDI plays an important role in the production of raw materials in developing countries and the export of these materials for consumption in external markets. An example of this is oil exploration;

(ii) In some cases the local markets become a target for FDI. In such cases where obstacles are imposed by governments on imports, investment in local production becomes more feasible than exporting foreign products to these markets. This type of investment focused on the manufacturing sector during the 1960s and the 1970s as the policy of import substitution became popular among developing countries;

(iii) Investments seeking quality performance as the case with some companies in the industrialised countries, which move their businesses to other countries in order to cut production costs and increase their profits. The high cost of labour in industrialised countries has forced companies in these countries to move into developing countries in search of cheap labour. This theme constitutes the main aspect of Japanese investment in Asia, US investment in Mexico and Central America, and European investment in Central and Eastern Europe;

(iv) Some FDI can be described as strategic investment. This type of FDI is at the very advanced stage in which the multinational corporations (MNCs) seek the honing of skills through investment in relevant countries. Examples include the numerous centres for R&D in Singapore, the computer programming development centres in India, and the airline booking centres in the Caribbean.

2.3.1 Developments and Trends in FDI Worldwide

Global FDI is becoming increasingly significant reaching US$1,697bn in 2008 (World Investment Report, 2009:20). This figure is close to the record figure of US$1,411bn reported in 2000. When these figures are compared with the average of US$740.7bn per year between 1995 and 2000 it provides a good indicator of the quantitative progress in the flows of FDI during the current decade (World Investment Report, 2007:12).

Research explains that the increase in flows of FDI capital is due to a number of factors. One factor is the impact of the international economic growth on the developing countries as well as developed countries, while as second is the increasing wave of cross-border mergers and acquisitions. This has come as a natural consequence of high profits and the subsequent rise in shares value which has led to the activation of cross-border mergers and acquisitions. Moreover, sustaining policies in favour of investment, removing obstacles that hinder international trade, and promoting investment in host countries have all made a positive contribution to the

flow of investment capital worldwide (UNCTAD, 2007; The Arab Investment and Export Credit Guarantee Corporation, 2006). It is important to note, however, that the global financial crisis has adversely impacted on FDI flows. Global FDI inflows fell from a historic high of $1,979 billion in 2007 to $1,697 billion in 2008, a decline of 14%. The slide continued into 2009, with added momentum: preliminary data for 96 countries suggest that in the first quarter of 2009, inflows fell a further 44% compared with their level in the same period in 2008 (World Investment Report, 2009:20).

The industrialised countries retain the main share of FDI. In 2008, the industrialised countries received 57% of total FDI compared to 43.0% to the developing and transition countries. Whereas the biggest share went to the East Asia, the share for the Middle East and North Africa region was 16.5% of the total for developing countries (UNCTAD, 2009:18).

Despite of the negative effects of the global financial crisis, in 2008 the number of the MNCs was estimated at 82,000 main companies and 810,000 subsidiaries, providing employment to around 77m people employed (UNCTAD, 2009:22). Also, the contribution of the MNCs to the world economy has increased. For example, the contribution to total world exports increased from 26% in 1990 to 33% in 2006. Likewise the contribution of the MNCs to the global national product increased from 6.5% in 1990 to around 10% in 2009 (UNCTAD, 2007:17, 2009:22). This transformation is on the increase as the share of MNCs operating in developing countries has risen from 11% in 1994 to 26% in 2004 (UNCTAD, 2005:24).

In this context, it should be pointed out that the transformation of local companies into the MNCs has become a common phenomenon in developing countries. Furthermore, in the past fifteen years the number of the MNCs domiciled in either transitional economies or developing countries has shown higher growth rates than MNCs in the industrialised countries. However, the largest 50 MNCs from the developing world only match the hundredth biggest MNC from an advanced country. In addition, local MNCs only occur in a few of developing countries. In fact these companies belong to the industrial fledgling economies in Asia, Latin America and South Africa: Asia has 78 MNCs in the top 100 from developing nations, surpassing South Africa and Latin America with 11 companies each. These companies are engaged in construction, food and drinks and other industries, while a number have

shown noticeable progress in the electronic industry especially in Asia (UNCTAD, 2007:20).

The 1980s, which witnessed unprecedented economic growth in South East Asia, saw the emergence of MNCs in developing countries. The early activities of these companies concentrated on investing in the LDCs. These companies have shown competitive characteristics that promote their growth and expansion worldwide. According to Pavida (2001) the most important of these characteristics are the following:

(i) Cutting down production costs through the use of the production methods that rely on intensive labour;

(ii) The low cost of locally produced commodities, and the use of prices as a strategy for competition;

(iii) The maximum use of the appropriate technology to minimise labour;

(iv) Making the maximum use of locally produced raw material to minimise imports;
(v) Concentrating on commodities which are in high demand in foreign markets.

As these companies grew during the 1990s, foreign investment expanded at both the geographical and sectoral levels, with attention focussed on remote developing countries as potential markets. In addition, they were able to overcome custom tariffs and other obstacles imposed by industrialised countries on imports, as well as the acquisition of technological know-how. Consequently, location has become significantly more important for exploring new markets, particularly those located close to the EU and the US (UNCTAD, 2005).

2.4 THE IMPACT OF FDI ON ECONOMIC GROWTH

Arguably, the importance of FDI stems from the fact that it tends to boost economic growth in host countries. In this context a number of studies have investigated this relationship. However, these studies vary in the methods used as well as the final results. Some studies are concerned with measuring the impact of FDI on the rate of economic growth in general, while others concentrate on specific economic or political variables and their impact on growth. For example, some studies focus on the impact of FDI on production, other studies assess the impact on the economic

aspects such as foreign trade, different manufacturing strategies and what this means for growth, and local investment.

2.4.1 The Impact of FDI on Production

With respect to measuring the impact of FDI on production, and the subsequent effects on the rate of economic growth, it can be argued that MNCs are in possession of the appropriate production technology to activate otherwise unutilised or under-utilised economic resources. The MNCs, also, use modern management techniques to maximise the use of resources, as well as reduce production costs, consequently, attracting MNCs will increase the efficient use of resources by improving productivity both qualitatively and quantitatively, thereby boosting competitiveness.

Moreover, FDI contributes to improving the skills of the local workforce, assisting the use of modern means of production. This implies that a skilled and literate workforce should be a major target irrespective of the nature of the economy. In this context, the studies discussed below confirm a direct relationship between FDI and the economic growth in developing countries through improving human capital. This concept simply refers to the level of skills and literacy of the local workforce: the argument is that the higher this levels then the better for attaining strong and sustainable economic growth.

Hong (1997) in his study of Southern Korea investigates the role of FDI and commercial loans in boosting productivity during between 1970 and 1990. The study concludes that the flow of foreign capital greater positive effects on productivity than commercial loans. Furthermore, the study emphasises that the private sector in Southern Korea succeeded in attracting foreign capital especially in areas such as oil exploration, electronics and the heavy industry.

Haddad and Harrison (1993), examining the Moroccan case, conclude that FDI by MNCs have made a significant contribution in improving the performance of local companies. They argue that local companies benefited greatly from the advanced technology associated with foreign investment, which have great impact on the productivity of these companies and the subsequent increase in economic growth (Haddad, 1997:66). The same impact was found by Aitken (1997), who investigated the effects of FDI on the growth in production in a number of countries from 1976-to

1989. He found that local companies achieved high production rates in sectors where the contributions of foreign capital were high; prior to the inflow of FDI productivity in those sectors was low.

Mathur (1992) in his study in India reaches similar findings. He notes that local low production sectors benefited significantly from FDI which improved the efficiency of these sectors. Richardson (1997:19) also found that FDI played a major role in boosting economic growth in South East Asian countries, through its contribution to total production via the associated advanced technology. In turn, this boosted exports earnings in these countries.

Blomström and Kokko (1996) refer to the positive role that the MNCs have played in increasing productivity in Kenya, in relation to their contribution to promote advanced technology among local companies. The same results were also reached in a study on Cameroon (Ghura, 1997) and also by Djankov and Hoekman (1998) for Czech Republic.

Haddad and Harrison (1993) point out that the positive impact form FDI was not apparent in all sectors. Blomström and Kokko indicated that FDI led to lower productivity levels in sectors that has failed to cope with the highly advanced technology associated with FDI. Kokko et al. (1996) conclude that the local manufacturing companies in Uruguay have taken advantage from FDI to improve productivity. However, they indicate that the impact of FDI on local companies has varied depending on the level of technology used in these companies. In other words the lower the level of technology used the less positive impact the FDI has on productivity. These results are consistent with previous studies regarding the importance of the establishment of a reliable technological base in different sectors in the host countries in order to create the conditions for improving productivity.

Djnkov and Hoekman (1998) study the Czech Republic to investigate the overall impact of the technology associated with FDI on the components of production. The study relied on data from a sample of 513 companies representing a number of industries, of which 340 (66.3%) were purely local companies without foreign participation and 173 (33.7%) had some form of foreign participation. The productivity was measured using the per capita income of the work force against the total sales during the periods 1992-93, 1993-94, 1994-95 and 1995-96. The study

concludes that the improvement in productivity of the sectors that had foreign participation was due to the fact that the local companies were technologically capable.

In another study Keller (1997) investigates the impact of FDI on productivity in seven countries. He found that productivity varied depending on the components of production in the countries. He also noticed that the impact on production was strongly positive as the flow of FDI boosted R&D (Keller, 1997:16). According to a study by the OECD (1998), the invasion of European markets by American companies has benefited the former in a number of ways, including the introduction of advanced technology and high levels of competitiveness. However, the benefits have been confined to specific industries due to the variation in technological know-how between the American companies and their European counterparts. The study highlighted the potential of local companies to cope with modern technology as a precondition for these companies to benefit from the technological know-how associated with FDI. This potential improves the chances of the local companies to compete with their foreign counterparts (OCED, 1998:17).

Blomostrom and Kokko (1996) highlight in their study that in Venezuela between 1976 and 1989 FDI played a major role in improving productivity in sectors that received high levels of foreign investment. Nonetheless, they suggest that the results should not be generalised, as those results could not be found in cases where productivity was already high prior to the involvement of FDI.

Consequently this study emphasises the impact of FDI in relation to economic sectors with low productivity prior to the involvement of FDI.

2.4.2 The Impact of FDI on Foreign Trade and Economic Growth

Many MNCs gain potential through promotion, marketing and selling products by the use of brand labels, which make those products desirable, facilitating entry in to foreign markets. Moreover, most foreign companies have branches and production centres in other markets to help promote and market their products.

New international standards came into effect in the aftermath of the emergence of WTO. However, most of the products from developing countries failed to meet these standards. The role of FDI is paramount in helping developing countries achieve

the required international standards in order to compete in global markets and also to improve the quality of local production.

A number of studies have investigated the relationship between FDI and foreign trade. Chen and Zhang (1995) find a positive relationship between inflows of FDI into China and Chinese exports. They explained these findings by the fact that a number of components are available in China, the most important of which is a manufacturing base for export (Chen and Zhang, 1995). Aitken et al. (1994) emphasise the positive impact of MNCs on the overall exports of local companies as these companies benefit from the services provided by the MNCs particularly in the area of information technology and distribution. Likewise Thomsen (1999) in a study focusing on the ASEAN countries highlights a strong relationship between FDI and exports. He discovered that in these countries exports expressed as a ratio of GNP increased from 30.5% to 39.7% in three years starting from the end of 1980s. Thailand, for example, achieved annual average growth of 2.6% between 1989 and 1992, which would not have been possible without the contribution of MNCs in boosting its exports especially in the electronic products (Hoekman, 1996:12). In another study, Blomström and Kokko (1997) emphasise that MNCs are more efficient than their local counterparts in achieving exports. They explain their findings by the fact that MNCs possess higher levels of technology, marketing skills and effective channels of communication with the outside world.

A number of studies have focussed on the impact of FDI on economic growth by studying the type of manufacturing strategy prevalent in that country whether the strategy aims to boost exports or to restrict or replace imports. A study by Balasubramanyam et al. (1996) considers the impact of FDI on economic growth in the host country in relation to variations in manufacturing strategies. They assume that the capacity of investment to bring about economic growth varies according to the type of manufacturing strategy. They conclude that policies that aim at boosting exports attract FDI inflows and the subsequent increase in exports contributes to economic growth.

The OECD also conducted a number of studies on countries such as of which have featured countries such as concerning the relationship between FDI and manufacturing strategies and economic growth. These studies find a strong relationship between economic growth and the policies that involve changes from

central planning to a market system and the removal of investment restrictions. They also conclude that FDI boosts economic growth through the associated capital and modern technology which improves the efficiency of local companies thereby improving their chances of competing globally (OECD, 1998).

Thomsen's study (1999) focusing on the ASEAN countries concludes that the policies adopted by these countries in favour of boosting exports as a means of attracting FDI, successfully boosted exports and subsequently brought about economic growth. He points out that the exports of these countries, expressed as a ratio of GNP have doubled since 1982, with only minor differences in the long term. In addition, variations existed among different sectors depending on the components of each sector.

A similar conclusion is reached by Hoekman and Djankov (1996) in a study involving Eastern European countries, which adopted policies aimed at boosting exports. Likewise, Blondal and Christinsen (1999) investigate the effects of the flow of foreign capital on the economies of the growing markets. They emphasise the significant contribution made by FDI towards economic growth through increasing foreign trade. However, the effects on trade varied from one country to another depending on the aims and the type of strategies.

2.4.3 The Impact of FDI on Local Investment and Economic Growth

In discussing the impact of FDI on growth, it is also important to assess the impact of FDI on domestic investment levels, and in particular if FDI and domestic investment are complementary or substitute each other. A number of studies have investigated this relationship with varying results. For example, in a study on Japan, Bayoumi and Lipworth (1997) find that FDI integrated with the local capital in the host economy rather than replacing it. Consequently, in the case of Japan the injection of the foreign capital into the local economy provides additional financial resources to activate sectors of the economy which were not functioning effectively for economic growth.

A study by De Mello (1996) on the OECD countries spanning 1970 to 1992 found the relationship between the two variables could be described as integrative. FDI was found to have positive impact on economic growth rates in host countries.

On the other hand the relationship between foreign investment and local investment in source countries was that of replacement (De Mello, 1996).

In another study Agosin and Mayer (2000) investigate the impact of FDI on local investment in Africa, Asia and Latin America between 1976 and 1996 through two sub-periods: 1976-1985 and 1986-1996. The effects of integration or substitution varied across the countries and between periods within the same country. For instance, it was found that replacement effects were incontrovertible in Africa between 1970 and 1996, but integration was obvious between 1976 and 1985 and 1986 and 1996. By contrast in Asia integration was always present all the time. However, in Latin America the relationship between foreign and local investment was that of substitution throughout.

2.5 FDI DETERMINANTS

Researchers cannot reach agreement on the factors that determine FDI. However, there is general agreement on a number of factors including: the size of the host economy which acts as an indicator of the local market; the availability of raw materials; per capita income as an indicator of the nature of the local market; and the investment environment, which constitutes the prevailing social, political, economic, financial, legal, administrative and institutional conditions that tend to promote the chances of success (or otherwise) of investment in a country. The degree of economic openness, the availability and skills of the labour force, the infrastructure including the legislation and policies that organise and motivate the investment process constitute the most important elements that provide a suitable investment environment (The Arab Investment and Export Credit Guarantee Corporation, 1987).

There are two distinct schools of thought in relation to the interpretation of the determinants of the FDI. The first school emphasises the determinants at the micro-economic level focusing on individual companies (Kindleberger, 1969; Hymer 1976; Caves 1974). In other words, these studies attempt to interpret the purpose behind MNCs expanding their activities beyond their national borders (Grossee & Trevino 1995; Buckely & Casson 1976; Aliber 1970). By contrast the second school of thought emphasises the determinants of FDI at the macro-economic level taking into account the economies of the host countries. Both these approaches are discussed in the following sections.

2.5.1 Micro-economics Determinants

Studies conducted during 1950s and 1960s, during which the US and the UK were the major sources of FDI, were representative of the first school of thought and developed a number of hypotheses to interpret the determinants of FDI,. The first hypothesis is that the FDI is a function of the returns and revenues made in the host countries. This hypothesis is based on the assumption that achieving maximum profits is the main aim of companies, which was the dominant assumption during the 1950s when US companies were able to maximise their profits in Europe compared with their local counterparts. However, as circumstances changes during the 1960s doubts were cast on the validity of the hypothesis although it had not been proved wrong.

The second hypothesis is related to the risks associated with investment assuming that investment in any country is more or less subject to political and/or economic risks that can impact negatively on a project and the return (Prachowny, 1972; Stevens, 1969).

The third hypothesis assumes a positive relationship between investment and the marketing of the product in the host economy markets. This is because the size of the local market is one of the elements that attract investment at the macro-economic. This hypothesis is confirmed by Stevens (1969) who suggests a significant relationship between the investments of American companies in Argentina, Brazil and Venezuela, and the sales of their products to the industrial sectors in these countries during the period 1952-1966. Goldberg (1972), on the other hand, denies the existence of such a relationship pointing out that the expansion in investment can be justified by the ensuing growth in the size of the local market rather the absolute size of the market per se. However, in the case of the developing countries, Rueber (1973) points out that investment is closely related to the GNP rather than the growth in productivity.

Foreign trade is another important variable in determining FDI. In a study looking at US investment in a number of developing countries, Rock (1973) proves a significant relationship between the volume of trade and US investment in those countries.

It is also important to state a negative relationship exists between political instability and FDI. In this context many studies establish a positive relationship

between the flow of investment capital and the political stability (Basi 1963; Robinson 1961). Nonetheless, some authors contest this evidence, suggesting that the effects of political instability could be a minor and insignificant regarding FDI, at least in developing countries (Rueber, 1973). However, the difference in opinion could be attributed to the methods of analysis used as well as differences in the definition of the concept of political instability.

Other micro-economic factors that affect the FDI include incentives provided by the host country in order to encourage the flow of investment capital in which case a positive relationship exists. For instance, Aharoni (1966) believes that in the early stages of decision-making incentives have no significance, particularly income tax exemptions. This finding is supported by other studies such as Robinson (1961) and Barlow and Wender (1955). It is worth mentioning that incentives especially those associated with tax are essential for small companies which lack experience in relation to markets in developing counties, even though Root (1979) has proved this relationship to be insignificant.

Finally, cheap and well-trained labour is considered one of the most important determinants of FDI. Reidel (1975) concludes that low wages constitute one of the most important factors that determine the FDI in Taiwan. This is further confirmed by studies conducted by Donges (1980) in relation to Spain and Portugal, and Agarwal (1980) in a study of investments made by the German companies and the cost of wages in developing countries such as Brazil, India and Iran. In addition, he argues that the level of wages is crucial in labour-intensive industries.

2.5.2 Macro-economic Determinants of FDI

The second school of thought relies on macro-economic theory regarding the determinants of the FDI. This school classifies the determinants of FDI on the basis of two approaches: the first approach relates to factors that attract investors and tends to explain FDI in terms of the relationship between the characteristics of the host economy and the flow of foreign capital into that economy. By contrast the second approach relies on factors of motivation. This approach is based on the belief that FDI is always attracted towards countries where profits are expected to be greater than those that can be achieved in country of origin.

Regarding the first approach Akhter (1993) points out that infrastructure, the size of the local market, manpower, location with respect to major markets, openness to the outside world, exchange rates, tax exemptions, political stability and monetary policies, are considered decisive in determining FDI in developing countries. Other studies such as Asiedu (2002), Noorbakhsh and Paloni (2001), Obwona (2001), Pigato (2000), Collier and Pattillo (2000), Gastanaga (1998), De Mello (1997), and Singh and Jun (1995) reach the same conclusion.

Researchers such as Bhattacharya (1997) conclude that the rate of market growth rather than the growth rate of GNP constitutes the most important determinant of FDI for Sub-Saharan Africa, whereas Mbekeani (1997) believes that the market size is the most crucial factor regarding FDI.

In another study involving the identification of long-term determinants in Sub-Saharan Africa, Bede (2002) establishes a distinction between four types of factors: cost-related factors; the investment and business environments; macro-economic factors; and the development strategy of the host country. By using the autoregressive method, Bede proves that the rate of market growth represents the most important factor in the long run, followed by export policies and the free flow of FDI. Other factors, though of less significance, include the real exchange rate and the size of market in comparison to GNP. However, Bede failed to establish a relationship between the real rates of pay as an approximate variable for the cost of work unit and FDI.

The 1998 World Investment Report discussed conclusions reached by UNCTAD (1998:23) in relation to the most important factors that attract FDI. Based on empirical studies, UNCTAD emphasises the factors identified as: (i) The size of the host economy or the size of the local market: this variable is measured by the nominal GNP of the host economy; (ii) The rate of economic growth of the host economy, which is measured by the rate of growth of real GDP estimated as an average of the five years preceding the year in question. This variable is used to forecast future growth in the size of the local market; (iii) Per capita income, which is an average of GNP per capita. This is used to measure demand and consumption for goods and services.

Furthermore Kamaly (2004) investigates 23 developing and advanced countries to discover successful experiences in attracting FDI in order to improve the investment environment in Egypt. By creating a quantitative model Kamaly concludes that factors such as the growth of the real GNP, economic openness, variations in nominal exchange rates and the international interest rates constitutes the most important determinants of FDI. However, while the growth rates of the GNP and economic openness have positive effects on FDI, the effects of the other two factors are negative. The study also shows that to attract FDI economic stability is a priority, while tax exemptions alone are most likely to be ineffective unless accompanied by other packages to motivate investors such as the removal of bureaucratic obstacles by say using one office (a one-stop shop). Other important factors include the availability of an efficient infrastructure and maintaining free ownership. It is also evident that policies that favour training and improving the skills of the workforce constitute a major factor for attracting FDI. All these results are consistent with other studies that have established a positive relationship between FDI and a strong economy in terms of growth in the real GNP (Ordeal & Tatooglu 2003; Onyeiwu 2002).

Also, the strong positive impact of economic openness on FDI is apparent in most empirical studies, based on the ratio of the total exports to GNP (Kinoshita and Kampo 2003; Ancharaz 2003). These results confirm that there is strong positive relationship between the levels of FDI and the degree of economic openness provided that other factors remain constant. Also any changes in the nominal exchange rate may produce unfavourable effects with regard to the FDI.

2.6 POLICIES FOR IMPROVING THE BUSINESS ENVIRONMENT FOR FDI

Many countries have pursued policies at both the macro and micro-economic levels to improve the investment environment in order to become more attractive to FDI. Over the past few decades these policies have gained increasing importance in the global economy. This can be attributed to having to cope with the rapid changes brought about by globalisation, the need to integrate into world economy, and the huge development in information technology and telecommunications. In these circumstances it is difficult for a country to remain isolated from these developments, given the potential difficulties it would face particularly in areas such as exports and the flow of capital. For this reason many countries including developing countries

have adopted reform policies aimed at restructuring their economies in order to provide the right investment climate to improve its competitiveness in a global economy open for trade and capital flow.

It is worth underlining that there has been a change from the traditional concept of relative advantage based on the sources available to the state that allow competitive production including natural resources, labour and geographical location, to the concept of the competitive advantage which in addition to the afore-mentioned elements includes aspects such as technological know-how, expertise, and quality production. The concept of competitiveness varies according to the level involved: company, sector or state. The theory of competitive advantage is based on a model for measuring competitiveness relying on micro-economic principles (Porter, 1990). However, the OECD defines economic competitiveness from the economic point of view as the level that would allow the production of commodities and services to meet the requirements of international markets within open and fair markets, in the mean time, maintaining the economic growth in the long term (cited in Oughton, 1997:11).

The concept of competitiveness remains integral to alleviating the problems of the local market which constitute a major barrier to improving productive efficiency. Moreover, providing the right environment for competition should be an advantage in improving economic efficiency and boosting economic growth to promote better standards of living (Lall, 2001; Chabchoub & Oral 1997). The experiences of Singapore and Ireland support this argument. These countries have succeeded in attracting FDI, through winning the endorsement of the international organisations such as the World Bank, IMF and USAID. According to Win (2002) the efforts made by these countries in the last two decades have encouraged many developing countries to follow suit.

The following section highlights a number of examples of policies, programmes and procedures that have improved the inflows of FDI.

2.6.1 Polices Targeted of FDI

The promotion of investment should selectively favour investment in specific areas, such as areas that use highly sophisticated technology, or areas associated with exports. Consequently, instead of promoting investment in general, attention should be focussed on the development of certain sectors. For example, in Singapore, the

Economic Council for Development targeted investors that could contribute to the development of industrial conglomerates, while in Malaysia where the Organisation for Industrial Development determined the most powerful 22 industrial conglomerates in relation to their capabilities to attract FDI to boost exports. This selective approach should help the state to achieve its strategic goals, including reducing unemployment, acquisition of technological know-how and development of exports (Centre for Information and Decision Support, 2004:26).

2.6.2 Financial Incentives

The experience of a number of countries indicates that to make an economy attractive to investment requires financial incentives. This implies that the financial incentives should be linked to issues having to do with matters such as employment, modernisation and technology, and the development of human resources and exports.

For example, R&D grants should be given to companies that develop or produce new products. These grants can be repaid in the form of royalties in the case of a successful new product, similar to the grants given by the state which is called Israel. Another example is Finland which has allocated grants to fund activities in the areas of R&D, which would improve the capacity of companies to compete in foreign markets. Consequently, the R&D grants in Finland were €390 million in 2003 (Centre for Information and Decision Support, 2004b).

Another example is development aid oriented grants which are given to assist projects to improve their capacity to compete in the long term by encouraging them to promote the use of skilled labour and modern technology. The amount of grant depends on the nature of the project as well as the location where FDI is taking place. For instance, in both Ireland and Hungary direct financial assistance was given to companies capable of creating an agreed number of jobs within the first three years of its operation. This grant funded assets provided that the total invested capital was not below a certain limit taking into account the production technology to be used (OECD, 2003:17).

2.6.3 Promoting Managerial and Institutional Frameworks

The efficiency and flexibility of the organisational and institutional frameworks play a major role in determining the FDI environment. This efficiency improves with simpler procedures for establishing projects and settling disputes

(WEF, 2002:12). Among the measures taken to improve managerial and institutional frameworks is the one-window service to facilitate the licensing process for investment projects, which are intended to save time and effort thereby reducing the costs for investment (Hong & Gray, 2003). Furthermore, centres for the protection of the rights of investors provide post-investment services aiming at removing potential barriers that face foreign investors particularly within government offices. These centres also provide consultation and advice to investors through research and database facilities. They can also issue newsletters highlighting proposed investments, areas where profits are expected to be high, and initial feasibility studies for projects proposed within the plans for economic development, in addition to establishing relationships between the different companies and between these companies and the centre in order to develop the technical capabilities of these companies (Centre for Information and Decision Support, 2004).

It is interesting to note that the agency for the promotion of trade and investment in South Korea opened an investment authority office in 1999. When a referral is made to the office, it immediately makes contacts with the relevant organisation to resolve the issue. The office has been given full powers to seek the assistance of any governmental organisation. The government organisation then has a duty to produce plans to resolve the situation within seven days of receiving the complaint (Hong and Gary, 2003).

2.6.4 Openness Polices

Openness to the global international economy and a free-market economy reassure investors and therefore tend to boost the flow of capital, commodities and technological transfer into and out of the host country, thereby maximising economic benefits. Part of creating the conditions for a free-market, open economy is adopting policies that encourage exports that in turn tend to attract FDI. These policies tend to create new markets for the fledgling economies and provide opportunities for investors to market their products and maximise their profits. Furthermore, becoming a member of regional economic groups, and signing bilateral agreements to remove double taxation, may boost regional capital flows. Such policies are becoming increasingly important in the wake of free trade, the globalisation of products and markets, and the free movement of international capital.

In the absence of an over-arching international agreement concerning investment, the legal frameworks that underpin relationships between foreign investors and the host countries are based on bilateral agreements. These agreements, particularly those associated with the removal double taxation, can be considered to have greatly encouraged FDI. Bilateral agreements date back to 1959, when the first one was signed between West Germany and Pakistan. The number of agreements reached 5,500 in (UNCTAD, 2007a:15). Despite the fact that bilateral agreements are not a precondition for attracting FDI, policies such as removal of double taxation and the right of ownership incorporated in these agreements constitute a major incentive for FDI. However, many host countries receive huge investment capital despite the fact that they do not have bilateral agreements with the source countries. For example, Japan has only signed four bilateral agreements. Examples from developing countries include Brazil, which has the lion's share of FDI among the developing countries, but has never signed any bilateral agreement (Mary, 2007; UNCTAD, 2007a).

Economic openness is vital for attracting FDI. A case in point is China. Following the death of Chairman Mao in 1978, China made structural changes to its economic policies that now encouraged exports and the import of technological know-how. Consequently, China signed agreements with a number of countries including the US in order to improve its technological know-how and to attract more foreign capital for investment. Since doing so, China has emerged as a main target for FDI. For instance, in 1994 the total investment in China amounted to nearly US$34bn, whereby this sum has jumped to around US$60bn in 2004 (UNCTAD, 2007:12).

2.6.5 Improving the Legislative Framework

In order to maximise the potential benefits by protecting the rights of all parties involved, economic activity should take place under an umbrella of appropriate legislation. However, the legislation should encourage free competition, ban monopolies, and protects investment by providing the necessary guarantees o investors. In this context, the multiplicity of laws in relation to investment should replaced by one stable, integral and transparent law. This will make the law more reliable for investors as it facilitates the legal environment for investment. Moreover, effective legislation should be introduced to combat corruption in official circles, which would lower costs for potential investors (El-Fergani, 2002:24).

2.6.6 Other Policies

Other policies that contribute to the improvement of the environment for investment should be considered. These include policies that bring about social and economic stability such as cutting down fiscal deficits, and lowering inflation and unemployment, in order to close the gap between income and wealth levels of different social groups. Other policies include the freedom of ownership and the transfer of profits and investment capital when the project terminates (El-Fergani, 2002:27).

A report compiled by the OECD in 2003 indicates that organising training programmes for labour aiming at improving the skills constitutes a major incentive for attracting FDI, particularly in technologically demanding areas. The report argues that this tends to encourage investors because of the presence of highly-skilled low-cost labour (OECD, 2003:20).

2.7 SUMMARY

Investment plays a strategic role in driving economic growth. This is because increasing the level of capital accumulation is essential to overcoming the main barriers to economic development. However, although economic growth has been achieved globally, the theories behind the policies have been criticised for focusing on capital investment in cash or in kind. While capital investment is an essential factor for economic growth, it is not the only prerequisite. In this context economic development, unlike economic growth, cannot be defined only by factors of a material nature such as natural resources and capital, but also has to take into account domestic human resources. Inadequate domestic economic resources in developing countries constitute a major obstacle facing the economic development of these countries.

In the past decade issues related to improving the competitiveness of the domestic economy have gained importance in both the theory and practice of economic development. Many countries have pursued policies at both the macro and micro-economic levels to improve the business environment. However, it is important to state that this study focuses on macro-economic issues that can improve the business environment in order to attract FDI.

Researchers have yet to reach wholesale agreement on precisely which factors are important in determining the levels of FDI inflows into a country. The factors

include: the size of the host economy which serves as a proxy indicator for size of the local market; the level of per capita income which acts as an indicator as to the depth of the local market and whether it provides a favourable environment for investment. However, a favourable business environment depends on the degree to which the prevailing social, political, economic, financial, legal, administrative and institutional conditions promote the chances of success of investment in a certain country.

CHAPTER THREE

THE LIBYAN BUSINESS ENVIRONMENT: ECONOMIC RESOURCES AND INVESTMENT CLIMATE

3.1 INTRODUCTION

The business environment in a country comprises two main elements: economic resources and the investment climate. In order to examine the attractiveness of the Libyan business environment for FDI, this chapter assesses the economic resource capacity of the country and examines the Libyan investment climate.

The chapter is divided into four sections in addition to its introduction and conclusion. Section two investigates the main economic resources in the Libyan economy, in terms of availability and quality with an emphasis on three elements: human resources; natural endowments; and the infrastructure. Section three discusses the Libyan investment climate. It is concerned with the concept of the investment climate, as well as the combination of political, social, economic, financial, administrative and legislative conditions which can affect the flow of FDI into the country. Section four examines Libyan policies and guarantees provided by the Libyan government to foreign companies. It focuses on the development of investment policies, and the legal guarantees provided to investors under Libyan law. It also assesses how the political risk of the country impacts on foreign investment. Section five discusses the FDI developments in Libya.

Before discussing the most important economic resources in Libya, it is important to give a brief introduction about the geographical location of Libya as a resource. Libya occupies a significant a geographical location as it lies in the centre of the North African region. It covers a vast area extending from the middle part of the Mediterranean coast in North Africa to the northern highlands of central Africa. From an historical perspective this distinctive location has made Libya the confluence that links Arab-Islamic cultures with African culture. Moreover, Libya has played a major role in the economic and political developments that have taken place in this part of the world since the early civilisations.

The location of Libya gains international importance due to:

(i) Libya extends for almost 1990 km (1237 miles) along the southern Mediterranean coast separated from Europe by the Mediterranean Sea; the region has witnessed the flourishing of a number of ancient civilisations.

(ii) The territory extends to between 1900 and 2000 km into the African continent and has been linked to Sudan and West Africa by a number of caravan routes. These routes played a major role in transport and trade activities between the Mediterranean region and Sub-Saharan Africa.

(iii) Libya has played a major role in linking the eastern region of the Arab world to the Arab Maghreb region based on a common cultural, religious and historical legacy. (GIA, 2002:32).

3.2 ECONOMIC RESOURCES

Economic resources are classified in three main categories: human resources; natural resources; and manufactured resources.

3.2.1 Human Resources

It is important to note that the availability of human resources both in terms of number and quality is a prerequisite for the success of any investment programme. An increase in the population will lead to the expansion of the market which should lead to more investment or the expansion of the already existing investment programmes. In addition, improvements in skill levels will lead to the improvement of the quality and quantity of production.

The population of Libya has increased gradually from 1,088,889 in 1954 to 5,670,688 in 2006 (The Public Authority for Information and Documentation, 2006:24), with the rate of increase ranging from 1.8% to 4.5% in the periods 1974-84 and 1995-2006 respectively (see table 3.1). Libya, in common with many low-population, oil-producing countries, has one of the highest rates of population growth in the world. The rapid increase in population could be due to two demographic factors: natural factors and migration (PAID, 2004; 1973).

The natural increase in the population of Libya during the period 1964-1984 can be attributed to a number of factors, the most important of which is the improvement in public services as a result of the oil boom following the start of oil

exploration in 1963. By contrast the decrease in population growth rate in recent years can be explained by a number of socio-economic factors. For example, the expansion in education, the rapid migration from rural to urban areas, the deteriorating economic status of families and the subsequent economic hardships, have all resulted in marriage at a relatively older age, the wider use of contraceptives and the subsequent decrease in birth rates (Hweata, 2002). Migration has also boosted population growth rates. After Libya restored its political stability refugees, who left the country during the Italian occupation returned to the country. According to the 1973 census 68,000, an equivalent of 3.0% of the total population, were born outside the country (PAID, 1973:15).

Table 3.1 Annual Rate of Increase of Population

Year	Population	Annual Growth Rate (%)
1954	1,088,889	-
1964	1,559,399	3.7
1973	2,249,237	4.1
1984	3,637,488	4.5
1995	4,799,065	2.5
2006	5,670,688	1.8

Source: Secretariat of Planning, Statistical Book, (1984, 2002, 2006)

According to the 2006 census, there were 8% more males than females: the number of males was 2,944,632 while there were 2,726,056 females (GIA, 2006:25). The average age of the population was around 19 years, indicating the majority of the population was relatively young (Al-Kikhia, 2003:43).

According to a report compiled by the UNDP, Libya is classified among the countries with higher rates of human development. Libya was ranked at 55 in a list of 177 countries in the 2008 Human Development Report with a human development indicator of 0.847 where the standard indicator is equal to 1 (Human Development Report, 2009:167).

Table 3.2 shows the most significant of human development indicators. As can be seen in the table with regard to Libya, all indicators show that the level of the Libyan human development is above the world average, Arab countries, developing countries and Eastern Europe in the four aspects apart from literacy where Libya comes behind the Eastern European countries. On the other hand, apart from the enrolment ratio in primary and secondary education, the level of Libyan human

development is lower than what has been achieved by the OECD countries (UNDP, 2007).

3.2 Featuring Human Development Indicators in Libya with Some Regions in 2005

Indicator / Average		Libya	Arab Countries	Developing Countries	Eastern Europe	OECD	World
Life Expectancy	**Years**	73.4	67.5	66.1	68.6	78.3	68.1
Adult Literacy	**%**	84.2	70.3	67.7	99.0	.-	78.6
Combined Gross Enrolment	**%**	94.1	65.5	64.1	83.5	88.6	67.8
GDP per capital	**$**	10,335	6,716	5,282	9,527	29,197	9,543

Source: UNDP (2007: 232).

Women are given the same status as men as far as the law is concerned: equality is enshrined in the national constitution. One of the main achievements of human development in Libya is that the contribution of women to the workforce has increased more than four fold since 1964, as the rate of contribution increased from 4.0% to 20.0% in 1995. In relation to education and illiteracy the human development indicators shows that illiteracy among women in Libya declined from 87.0% in 1964 to 27.0% in 1995. In the 10-24 age group this was even lower at around 3.5% (Al-Hawat, 2002:9).

3.2.2 Natural Resources in Libya

Agricultural production mainly depends on the climate, the area of land available as well as the quality of soil. Libya has a hot, dry tropical climate apart from the narrow coastal strip and the northern highlands where the Mediterranean climate dominates (Treih, 1995). Libya occupies an area of approximately 1,775,050 sq km. However, most of the land is not suitable for any kind of farming activities. According to Shernnana and El-Fergani the land can be subdivided into two categories (2006):

(i) Lands that cannot be cultivated, such as sandy soils and sand dunes, pebbly soils, and land covered with boulders and all the rocky parts of the open desert. These areas constitute more than 90.0% of the total area of the country;

(ii) Land that can be described as arable provided that water is available. Importantly these are covered by clay soil or a mixture of clay and fine sand., which is suitable for agricultural, including *sabkha* (salty soil), which is good for growing crops that

tolerate the high levels of salt such as date palm. The arable soil is usually found in the coastal plains and desert lowlands such as oasis and at the floor of desert valleys.

The 2001 Agricultural Census estimated that the actual area used for cultivation and grazing is 1,809,596 hectares, an equivalent of 1.0% of the total area of Libya. This arable land is subdivided into 166,154 small and medium size farms, which are owned by professional farmers or otherwise (GIA, 2003:24). The census also shows that 62.2% of the cultivated area depends on seasonal rains, i.e. unirrigated land. The rest is irrigated by different methods such as ground water wells which are private or state owned, spring water, dams and so on. Ground water wells, dams and springs are used to irrigate 17.3%, 2.6% and 17.9% of the total cultivated land respectively (GIA, 2003:25).

3.2.2.1 Water resources

In Libya rain constitutes the main source of water. The rainy season extends from September until the end of May, with the maximum rainfall during December and January (NASR, 1996:16). All-year round natural streams are non-existent in Libya. Rain water in the winter and spring flows into some mountainous valleys from which water is drained via short channels, such as Wadi Triglat in Tarhuna and Mislata counties. As far as surface water is concerned two major reservoirs exist, one of these is in the north from where the water drains into the Mediterranean. The other is inland but the bulk of the water drains into underground aquifers. The annual stock of surface water in Libya is estimated at 200 million cubic metres (Treih, 1995:78).

Other sources of water include desalination of sea water and the treatment of sewage water, but these cannot be considered as natural sources. Studies estimate that the total production of ground water in Libya is around 4,670m cubic metres per year compared to around 110m cubic metres per year from surface water. Hence, ground water constitutes the main source for domestic consumption and other economic purposes. The annual total consumption of water is estimated at around 3,871 million cubic metres (The National Authority for Scientific Research, 1996:439). Libya is divided into five water regions for the purposes of water management (see table 3.2).

From the table it is can be seen that the actual amount of water available for use (5,355m cubic metres per year) exceeds the actual consumption (3,871m cubic metres per year). Therefore, Libya has a sufficient supply of water. Nonetheless in

areas where the high population density coupled with urban and industrial development result in high demand water deficits are experienced.

Table 3.3 The Water Balance

(Million Cubic Meters, Per Year)

Region	Amount of Water Available	Actual Consumption of Water	Surplus (Deficit)
Jufrah and Jabel Nafusa plain	240	1,300	(1,060)
Central region	275	421	(146)
Eastern region	230	550	(320)
Fezzan region	2,000	900	1,100
Kufrah and Sarir region	2,610	700	1,910
Total	**5,355**	**3,871**	**1,484**

Source: NASR, (1996:439).

The solution to the problem was provided by the Great Man-Made River. The main purpose of the river is to carry water from areas of abundance to areas of deficits, to ensure all regions receive adequate supplies of clean water. It is divided into five phases. It is important to note that the man-made river water reached Benghazi in 1993 and Tripoli in 1996 (Great Man-Made River, 2009:11). Economic studies show that the man-made river can provide around 6.1m cubic meter of clean water to the coastal regions per day from the southern desert (Shernanna & El-Fergani, 2007:101).

3.2.2.2 Animal and marine resources

Goats and sheep constitute the main animal resource in Libya. These are concentrated in the oasis, and the agricultural areas close to the coast and on the mountains. In addition, herds of camel can be found in the poor grazing lands at the periphery of the desert (Treih, 1995:81). Bee farming is also common in regions covered by natural vegetation at the foot of mountains, where flowering plants are in abundance. However, bee farming is capital intensive compared to other agricultural activities, and requires knowledge and experience (Shernanna and El-Fergani, 2007:160).

The Libyan coast extends for more than 1900 km along the Mediterranean Sea, which is rich in marine life. Many of the species are seasonal (Shernanna & El-Fergani, 2007:165). However, fish production is low in comparison to the coastline and abundant amounts of fish. For example, in 2006 total production of fish was less than 46.0 metric tonnes, which is considerably below that of the other Arab

Mediterranean counties such as Egypt and Morocco with total production 868.7 tonnes and 961.7 tonnes respectively. The low production in Libya can be attributed to a number of factors, the most important of which are the poor technical know-how, reliance on the traditional methods, the lack infrastructure for marine fishing, and the lack of a trained labour force (Joint Arab Economic Report, 2006:72).

In sum, the total contribution of the agricultural sector to GNP was a very low 3.3% in 2008 (Central Bank of Libya, 2009:21). The poor performance of the agricultural sector is due to a number of factors, including inadequate rainfall, high levels of salt in the soil, and widespread sand dunes. This is exacerbated by persistent migration from rural to urban areas as a result of the economic and social hardships, scarcity of arable land, lack of modern technology in fishing and animal breeding, widespread uncontrolled grazing of land, traditional methods of fishing, and the inefficient infrastructure in the area of marine fishing especially in the shortages of trained fishermen. In this context, around 4.2% of the labour force was employed in the agricultural sector in 2007 (GPC for Agriculture, 2007:11).

3.2.2.3 Mineral resources excluding hydrocarbons

Important raw materials that form the basis of industries such as iron and steel, cement and construction are found in Libya. The most important of these are iron, gypsum, sands, and clay. A number of factories have been established using these raw materials; however not all resources have been exploited.

The iron is found in Wadi Al-Shatii, where huge reserves totalling 3.5bn tones have been exploited since the 1950s (Tarih, 1995:89). There are around 200 tones of sulphur in southern and central Libya with up to 50% purity (Tarih, 1995:89). Calcium carbonate is found in numerous locations in Libya where carbonate rocks exist (in form of limestone, dolomites and marble). The confirmed reserves of carbonates in Libya are estimated at 256m tonnes (Shernnna & El-Fergani, 2007:170). Gypsum, which has many industrial uses such as cement, paint, chemicals, chalk and partition walls, is found in many parts of Libya including Bir Al-Ganam in the west and Sidra in the central region. Currently, only a tiny part of the 3520m tones of gypsum reserves are used in the cement industry and gypsum packthreads (Centre of Industrial Information, 2008:15). Around 18m tones of kaolin reserves are confirmed, which can be used in a number of industries (Shernanna & El-Fergani, 2007:173). Furthermore, sands (silica) are important for many industries mainly in the glass

industry, the brick industry and the concrete industry. These sands are found in numerous locations in Libya (Centre of Industrial Information, 2008:22). Different types of sedimentary and igneous rocks are found in a number of locations such as Al-Zizia, Bani Walid and Wadi Al-Shatii. The beautiful colours of these rocks make them suitable for decorative purposes (Centre of Industrial Information, 2008:15).

However, the manufacturing sector is failing to use these mineral resources effectively in order to increase production and boost local income. As result, in 2008 this sector only contributed 5.3% of the GNP compared to 52.3 % for the strategic industry, while the added value for the manufacturing industry is estimated at US$3.124bn and at US$47.908bn for the extractive industry (Central Bank of Libya, 2009:43).

3.2.2.4 Tourism resources

Libya has a long history which can be traced back to the Phoenicians, the Greeks and the Romans who all dominated Libya prior to the Christian and Islamic eras. In recent times it has experienced Turkish and Italian occupation before it finally gained independence. These civilisations have left behind sites that form the basis of today's tourist industry. Ancient archaeological sites make are the most lucrative resource for tourism in the Mediterranean region particularly in neighbouring countries such as Egypt and Tunisia.

In Libya the ancient archaeological sites are mainly found in the eastern and western coastal regions, but a number of important sites from the Roman times are found in the extreme south. The western sites date back to Phoenician times when the cities of Sabratha and Leptis Magna were established. These cities had flourished during the Roman times and in 1982 were listed as World Heritage sites (Tarih, 1995:95). Sabratha and is located 10 km to the west of Tripoli, while Leptis Magna is around 140 km to the east of Tripoli. The city of Oea is currently part of old Tripoli, but the arch of Marcos Aurelius is the only landmark left city. However, numerous artefacts are still being unearthed by construction workers. (GPC of Tourism, 2002:25).

Other Roman sites are found in the remote inner regions at Yafarn, Ghadamis and Germa. The most important Roman sites in the desert are located more than 200 km to the south east of Tripoli, where the fortified farms, graveyards and elegant

tombs are particularly interesting. The sites in eastern Libya are similar to those found in the west, and include famous ancient Greek and Roman cities such as Gorina (currently Shahat), Polina (Sosse), Tulimitha (Al-Durisa) and Tukara (Al-Aguria). Shahat was selected in 1982 as one of the most beautiful ancient Greek sites in the world (GPC of Tourism, 2002:26).

Furthermore, the desert contains some very important prehistoric art, which are highly rated and a potential tourist resource. These include engravings that date back to the upper stone age (the period of big animals of Babilios artefacts), the period of the round heads, the pastoral period (the 9th to the 4th century BC), the horse age (the prehistoric era, and other historic eras) and the camel period (the Roman era). These prehistoric sites were selected in 1985 as a World Heritage site (GPC of Tourism, 1997:11). In addition, ancient caravan routes across the desert, especially those linking sub-Saharan Africa to the Mediterranean ports, have led to the emergence of a number of towns at the main oasis. The most attractive elements of these towns are the agricultural farming around the oasis, and the beautiful architectural design of the buildings. The importance of the desert city of Ghadamis as a tourist attraction has been confirmed by choice of this city as a World Heritage site (GPC of Tourism, 2002:28).

The desert constitutes more than 90% of the total area of Libya, and represents a major tourist resource. The desert abounds with different geologic formations, weathered rocks, huge sand dunes, beautiful volcanic cones, valleys, lakes and oases (GPC of Tourism, 2002:28).

High quality beaches exist in the west, such as Mellita and Telil to the west of Sabrata, while Farwa is only an island off the Libyan shores. (Tarih, 1995:111). Also, a number of beaches with fine sands exist in the east. A number of these beaches have been developed into holiday resorts which have become an important tourist attraction for the local population (GPC of Tourism, 2002:29).

Although, Libya is rich in tourist resources, tourist revenues in 2007 were less than US$27.607m. This is trivial compared to neighbouring countries such as Egypt and Tunisia where in 2003 revenues were US$4.5bn and US$3.2bn respectively (Tourist Information, 2008:34).

3.2.3 Infrastructure in Libya

Infrastructure elements can be divided into two categories which are information and physical infrastructure.

3.2.3.1 Telecommunication and information infrastructure

The role of telecommunication and information technology in promoting economic development has been double-edged. On one hand, it gives the opportunity for countries to achieve considerable progress by modernising their production systems and boosting their competitive capabilities. South East Asian countries such as Singapore are prime examples of this type of influence. On the other hand, economies that fail to cope with modern technology have persistently achieved negative economic growth; as a result these countries are becoming more underdeveloped (Castlells, 1999).

In Libya the state-owned Pubic Company for Mail and Communication is responsible the development of the telecommunication and information infrastructure and to provide telecommunication and postal services (Shernanna and El-Fergani, 2007:201). In 2008, Libya had 1.033m landlines with a penetration rate of 16.41 lines for every 100 inhabitants; the seventh highest of the Arab states, and the top in North Africa. However, this level is considered as low compared to other low population, oil-rich Arab States such as the United Arab Emirates, Qatar and Bahrain which have of 30.16, 25.22 and 26.69 respectively (ITU, 2008). The establishment of two private companies, Al-Madar and Libyana, has given the mobile services a significant boost in recent years with a number of subscribers equivalent to 100% of the population by the end of March 2009 (ITU, 2009).

Libya Telecom and Technology Company commenced the provision of internet services in 1999. However, the penetration rate is weak. At the start of 2009 there were 323,000 users at a rate of 5.13 per 100 people. There are also 82,500 internet subscribers at a rate of 1.36 per 100 people. In addition, there are 9,600 broadband subscribers at a rate of 0.16 per 100 people. Libya was only the fifteenth ranked Arab state and fourth in the North Africa region (ITU, 2009).

As a result of the possible gains from technological advances, technical know-how has become another dimension added to the definition of capital. In Libya, only 0.7% of GDP is allocated to support education and scientific research. Universities

and research centres in Libya are highly centralised bureaucratic organisations controlled by the public sector. Their functions also include the provision of scientific services to the public sector. As a result, their contribution to the production of original research and patents is extremely limited. For example, in 2008, there were just four patents recorded, which placed Libya place at 135 globally (UNESCO, 2009).

3.2.3.2 Physical infrastructure

The physical infrastructure includes basic services such as finance and, transportation, which is a fundamental requirement for carrying out economic activities by linking the sites where raw materials are found to production and consumption sites. Consequently, given the importance of infrastructure to the process of economic development and to improving standard of living, infrastructural development has been the highest priority for the government, supported by the oil revenues from the 1970s.

Despite this emphasis the infrastructure still needs upgrading to cope with increasing demand. This failure is attributable to many causes, the most important of which is rapid population growth, rapid urbanisation, and limited resources to develop these services. This was exacerbated in 1980s when oil revenues declined sharply.

3.2.3.2.1 Financial services

At independence there was not a single national monetary institution and only nine branches of foreign banks. These were nationalised in 1971 and became part of the assets of the Central Bank of Libya until the end of 2007 (Shernanna & El-Fergani, 2007:185). The current banking system in Libya constitutes the Central Bank of Libya which owns the five public commercial banks, five private commercial banks and four specialised banks. In addition, there are twelve offices representing foreign banks.

The banking sector has struggled for many decades suffering from problems associated with the nature of the major banks (both private and public), which only provide the traditional services such as the payment of wages and limited credit facilities. Many obstacles that have negatively affected the performance are inherent in the financial sector. Moreover, the Central Bank of Libya has not undertaken its

role properly as an advisor and controller of economic activity; this has resulted in what is commonly known as negative monetary policies (Shamiah, 2007:9).

Importantly, banking services still depend primarily on cheques as the only method of withdrawing money from current accounts, apart from a few private medium-sized banks which have less than 50 cash machines. None of the major banks have cash machines.

A further indicator of the commercial banking services is the low level of bank credit as a ratio of GNP. This ratio decreased from 41.0% in 1995 to 28.0 % in 2008, although the absolute level increased from LD4.372bn in 1995 to LD11.812b in 2008. Again, this indicates a preference for cash rather than banking services resulting in poor levels of investment throughout the economy (Central Bank of Libya, 2009:29; Shamiah, 2007:11). This is due to a number of reasons, the most important of which is the lack of Islamic banking and monetary institutions in a community where the populace is Islamic.

However, the Central Bank of Libya is committed to restructuring the commercial banks. To this end the bank has sold its share in the Unity and Sahara banks to local and foreign investors, in addition to merging Al-Gumhouria and Al-Umma banks to create the Al-Gumhouria Bank with total assets exceeding LD8bn (The Central Bank of Libya, 2008:30). At the same time the banking services are being upgraded, with the introduction of systems such as Real Time Cross Settlement System, the Automated Clearing House, Automated Cheque Processing, ATMs, POS and CMS. (Central Bank of Libya, 2006:12).

Furthermore, two commercial banks have been established in partnership with the states of Qatar and the UAE, and another two foreign banks have purchased shares in Alwahda and Sahara banks. In this context, BNP Paribas Group has become a strategic partner in Sahara Bank with 19% of the shares and it retains the right to purchase up to 51% within three to five years. Likewise, a strategic partnership has been established between the Arab Bank and Alwahda bank under the same conditions. Also, Resolution No. 3 of 2006 allows commercial banks to provide loans and other financial facilities to foreign companies that are investing in Libya, provided the financial assistance does not exceed 50% of the total costs of the relevant

project, and that the financial assistance provided by commercial banks does not exceed 30% of the authorised credit capacity (Central Bank of Libya, 2008:24).

On 3 July 2006 the People's General Committee issued Decree No. 134 in relation to the establishment and regulation of the Libyan stock market. As a result of its recent establishment and the uncertainty of its role, turnover is still weak compared to the size of the economy, LD250m (UK£124m) in 5,264 transactions. At the end of 2008 only seven companies were listed, of which three are in the insurance sector, and four are commercial banks (Libyan Stock Market, 2009:12).

The insurance sector is provided by five companies: Libya for Insurance (established 1964), United for Insurance Company, Africia, Sahara and Libo Insurance Companies. Libya for Insurance had a monopoly until 1999, when United for Insurance Company was established by the partnership of a number of oil companies. The other companies were established after 2004.

All insurance companies including Libya for Insurance belong to the private sector as the latter was privatised in the second half of 2007 through the Libyan stock market (Central Bank of Libya, 2006:12). However, each company suffers many problems, the most important of which are the weakness of their capital base, and the limited investment tools available: total capital of the five companies was LD90bn (UK£45m) in 2005 (Central Bank of Libya, 2006:84).

3.2.3.2.2 Transportation services

The transport sector is of vital importance because of the vast geographical size of the country. For example, the distance between Ras-Ajdir in the extreme west and Amseaad in the extreme east is around 1,808 km, while the distance between Ghadamis in the extreme southwest and Amseaad is around 2,228 km, and between Chat and Amseaad is around 2,529 km (GIA, 2002:14). All types of transport are readily available in Libya apart from railways which were abandoned in 1956 (Shernanna & El-Fergani, 2007:211).

Libya has a well-built network of roads, the most important of which is the coastal highway linking the eastern regions with the western regions. This highway also links Libya to both the Arab Maghrab and the eastern Arab countries. A branch of this road links the coast to the south of the country. The current road network also provides an important link between the urban areas. The total length of built roads is

24,254km, compatible with the vast area of the country (Shernanna & El-Fergani, 2007:213).

A number of transport companies provide services for passengers within the cities, between cities and between Libya and neighbouring countries. The People's Committee for Transport in every council is the only body which is legally authorised to provide licenses for passenger vehicles including renewal and other relevant tasks.

However, there are a number of negative aspects associated with land transport, the most important of which is traffic congestion in the city centres. Congestion is caused by the huge number of cars on the roads, the failure of drivers to observe driving regulations, disorganised traffic including pedestrians and poor road planning in urban areas. The increasing number of public transport vehicles to meet increasing demand has wreaked havoc on the roads leading to traffic congestions, pollution, and traffic accidents (Traffic Department Report, 2009). Furthermore, the absence of the underground trains and delays in establishing a railway exacerbates the situation particularly in major cities such as Tripoli and Benghazi.

Maritime transport plays an important role in promoting international trade; given around 80% of international cargo is transported by sea. Libya has a strategic location on the Mediterranean which is an important route for international trade, because it lies between the Suez Canal and Gibraltar which are vital international pathways. Moreover, the location of Libya makes it a gateway to sub-Saharan African, which has no access to the sea. However, the Libyan national maritime fleet carries less than 10% of its international maritime trade (NCEP, 2007:11).

Libya has 20 ports of which eight are commercial, five of these are specialised ports and seven are multi-purpose ports (Shernanna and El-Fergani, 2007:214). However, the NCEP reported that the general condition of the Libyan ports is poor as the facilities and equipment are obsolete, while the management is rated as very weak (NCEP, 2007:27).

Air transport constitutes the main method of transport for passengers and mail delivery between the main population centres and the more remote cities and towns and between Libya and the outside world. The main airports are: Tripoli airport, located 30km from the city; Banina airport located 20 km from Benghazi; and Sabha airport located to the east of the city. All three are international airports, and are used

by 21 international airlines. In addition, Maitega, Abrag, Sirt are international airports but with a very limited capacity, and can be used only in emergencies. Also, there are a number of local airports, including Misratah, Ghahdamis, Chat, Kufrah, Al-Bayda and Hoon (GIA, 2006:23). The services for domestic travellers are provided by three local companies (Shernanna & El-Fergani, 2007:169).

However, according to a survey by NCEP (2007) air transport in Libya is well below international standards. The report finds that the main factors behind the deterioration in service are the air embargo that was imposed on Libya, and the design capacity of most of the international airports is limited.

3.2.3.2.3 Other infrastructural services

The General Company for Electricity, which is publicly owned, undertakes electric power generation and supply to all sectors. The official records show that the annual power generation in Libya was 23,992 megawatt/hour in 2006. Vapour and gas generators are used for electricity production with a share of 33% and 67% respectively. Libya has an electric power network covering most of the country (GIA, 2006:12).

Most Libyan cities have networks for the supply of clean water for drinking and other domestic uses. These networks are fed by ground water aquifers along the coastal strip, by desalination units and recently by the Great Man-Made River (Shernanna and El-Fergani, 2007:146). In addition, facilities exist for the treatment of sewage, although mainly in Tripoli and Benghazi. Outside the major cities other methods are used for the disposal of fluid waste and sewage, mainly involving black wells for domestic use. These are holes in the ground for storing sewage without treatment (Shernanna & El-Fergani, 2007).

In terms of disposal of solid waste, one company undertakes the cleaning of cities and disposes the waste at special sites. This sector has been recently privatised in Tripoli and Benghazi and replaced by cooperatives. This involves all types of waste including medical, industrial and chemical rubbish (Shernanna & El-Fergani, 2007).

Each of these services faces many problems. The most important one is the recurring power cuts, particularly during summer when demand is high for air conditioning to cope with the rising temperatures. In addition, the connection between Libya and Egypt has technical problems with stable power supply not exceeding 150

MW at 220 volts. Many experts argue that the connection should have high voltage networks i.e. 400 volts (Adil Shilabi & Mahamed Ibrahim, 2008). In addition, water, sewage and disposal of solid waste services are deteriorating and are also unavailable in rural areas (NCEP, 2007:45).

3.3 THE INVESTMENT CLIMATE IN LIBYA

The Libyan economy, including the productive base, has been affected by a number of factors that have curtailed development. Hence, the current investment climate in Libya is influenced by historical developments in all spheres including the political, social, economic and financial, administrative and legislative. This section examines the Libyan investment climate.

3.3.1 The Concept of Investment Climate

The World Bank Development Report in 2005 defines the investment climate as "a set of location-specific factors shaping the opportunities and incentives for firms to invest productively, create jobs and labor markets" (2005:23). The report emphasises that:

> government policies and other issues associated with the government administration particularly corruption and lack of credibility could have strong adverse effects on the investment climate, as such issues affect the costs and would cause obstacles preventing fairer competition between the companies involved (2005:23).

This is for the simple reason that any investment decision is motivated by the desire to make a profit, which in turn is affected by the elements of cost, competitiveness, and other factors that affect costs. Applied research has shown that economic stability in the host country is highly rated by most MNCs in relation to the risk assessment of potential investment (Rubaai, 2006:45)

El-Fergani defines the investment climate as a combination of economic, social, administrative and legislative conditions, which affect the flow of capital into the country. In addition, market size is an important component of the investment climate, as this is related to incomes and economic growth. Other important components include infrastructure, political stability, economic policies, investment policies, foreign exchange, access to credit, policy stability, level of development of stock market, stability of labour relations, the nature of the current laws and legislations, and the efficiency and flexibility of the organisations that organise FDI operations (El-Fergani, 2002:43).

Therefore the investment climate is a complex dynamic concept. For example, political variables include the prevailing political system, methods of decision-making particularly in the case of totalitarian systems, commitment to international agreements and organisations in terms of economic cooperation and investment. The political variables also include non-business risks which are outside the investor's control and therefore cannot be easily mitigated. Hence, minimising political risks by the host countries can attract potential investors. Social variables include the elements of social structure such as age groups, the role of women in the economic activities which is more important in developing countries where women are more socially alienated. Furthermore, administrative and organisational variables include the nature and efficiency of the administrative system, and the effectiveness of procedures for attracting further FDI.

Moreover, the stability and comprehensiveness of FDI legislation plays a major role in making investment climate more attractive to foreign investors. For example, investors need to be aware about the judiciary system as well as the methods of legislation especially in relation to FDI operations. In relation to economic and financial matters the investment climate is influenced by the nature of the economic system and the main principles that constitute the basis for this system, its structure, the role of the private sector, and all policies associated with economic activity (El-Fergani, 2003:33).

It should be noted that the relative importance of the above variables varies among investors depending on goals, desires and experience as well as the preferred area of investment. However, the success or failure of attracting FDI is always an indicator of the effectiveness of the prevailing investment climate in the host economy. Moreover, this could be the most reliable indicator in assessing the success or failure in attracting new investment as investors usually rely on their own experiences or others' experiences. The following sections, discuss these variables in detail.

3.3.2 Political and Social Conditions

The process of investment in a host economy cannot be considered in isolation of the prevailing political system and the associated legislative and executive institutions in that country. Consequently, discussing the political system in Libya means identifying the different stages of development of the government machinery

and the decision-making mechanisms particularly those decisions that influence people's lives in general. Also, given the contemporary economic developments in the international arena, particularly globalisation, Libya's foreign relations tend to have direct influence on the investment climate environment. Furthermore, social factors also play a role in creating the correct investment environment. In this context, the social structure and the role of women are significant components affecting the investment climate.

3.3.2.1 Development of the Libyan political system

UN Resolution No. 289 issued on 21 November 1949 marked the first step towards independence of Libya by setting a date for independence not later that than 1 January 1952. In the meantime efforts by the constituent assembly and the committee designated with drafting the constitution culminated in the constitution of 1951. According to the constitution, Libya was to be a federal state with an absolute monarchy. Libya was divided into three regions or states, Cyrenaica, Tripolitania, and Fezzan, under the name of the United Kingdom of Libya. National unity was initiated by the landmark constitutional amendment, approved by the King on 27 April 1963 which replaced the federal system with a unified state. At the same time, the official name of the country was changed to the Kingdom of Libya (Shernanna & El-Fergani, 2007:65).

The revolution on 1 September 1969 saw the cancellation of the monarchy system and the birth of the Arab Republic of Libya. The 1951 constitution was scrapped following the constitutional declaration of 11 November 1969, which outlined the basic state laws, and the type of state stipulating that Libya was a free democratic Arabic republic (The Constitutional Declaration, 1969).

Thereafter on 2 March 1977 the people's authority was announced by the General People's Congress, and with this Declaration Libya entered another political phase as it became a '*Jamahyria*'. The Declaration labelled the country as the Socialist People's Libyan Arab Jamahiriya, providing for the country's legislative system, its methods of defence and its political system. The third Article of the Declaration stated that "the people's authority constitutes the basis of the political system in the Libyan Jamahiriya, the authority should be for people only and no else should be authorised" (Declaration of People's Power, 1977). In the aftermath of the establishment of the people's authority, the Revolution Command Council (RCC) was

dissolved, and the Chair of the RCC was appointed by the General People's Congress (GPC) as its secretary, and the RCC members as members of the GPC's general secretariat. The council of ministers was given the name People's General Committee and the title Minister was replaced with the title Secretary.

Further fundamental changes occurred on 2 March 1979 when the leader and his colleagues resigned their posts at the secretarial of the People's General Congress and at the GPC. Since then a clear distinction has been made between the government and the revolution, with the former becoming a matter for the Libyan People's Congresses and People's Committees (Libya and Revolution in Twenty Years, 1993:65). In a parallel development the formation of the Revolutionary Committees was declared in early 1979 by the leader of the revolution. This was a political and cultural movement promoting the new Jamahiriya society inspired by the Third Universal Theory featured in the Green Book. In other words, the movement represented the political framework for the revolutionary force of the September 1st revolution.

Thereafter, in 1989 the People's General Congress issued a resolution stipulating that the activities of the Libyan People's Congresses and the GPC should be guided by directives of the leader, which implied that the GPC and the People's Congresses should consider polices at both the domestic and the foreign levels in response to the advice and guidance of the leader. Since when, it has become common practice that the leader remarks and comments on the agenda to be discussed by the Basic People's Congresses prior to their annual meeting (Al-Maghribi, 1995).

Despite the instability in the political system in the years following independence, the political system is now considered as stable and effective; and hence provides a friendly environment for FDI.

3.3.2.2 International relations

Libya is a member of a number of international organisations and agreements. For example, Libya has been a member of the UN since independence in 1951; this makes it by definition a member of all UN organisations apart from the World Trade Organisation (WTO). Libya was not a signatory to the GATT agreements in 1947, nor did it become a member of the WTO which was founded in January 1995. However, Libya became an associate member following its application to join the organisation

on 10 June 2004. This status allows Libya to take advantage of the principle of the favoured non-member state.

Libya is also a member of the World Association of Investment Promotion Agencies as well as the Multinational Investment Guarantee Agency, which are two organisations affiliated to the World Bank Group (Obeida, 2007:11). In addition, Libya is a member of the Organisation of the Islamic Conference, Africa Union, and Arab League of Arab States. Therefore, as a country member of these organisations, it is closely linked to most of the economic organisations. It is also a member of the '5+5' group which incorporates five European Mediterranean countries (France, Italy, Spain, Portugal and Malta) and five Arab Mediterranean countries (Libya, Tunisia, Algeria, Morocco and Mauritania).

The Rome agreement, which initiated the establishment of the EEC and culminating in the EU, included a supplement which favoured agreements with Libya; however, Libya has stopped short of establishing a full partnership with the EU. Thus, apart from Algeria, all other neighbouring countries have signed agreements of partnership with the EU. It is worth mentioning that the EU and Libya signed a memorandum of understanding (MOU) in Tripoli on 23 July 2007 aimed at boosting relations between the two parties in all areas, including opening the door for Libyan exports, especially agricultural and maritime exports, to enter the EU and for EU goods to enter Libya. Also the MOU recommends that Libyan citizens be classified as 'A' with regard to entry visas in return for the cancellation of entry visa requirements for citizens of the EU countries (Memorandum of Understanding between Libya and the EU, 2007).

The EU is the traditional market for Libyan exports and imports. Oil and gas are the main Libyan exports to the EU, while its imports include transport, machinery and equipment, food, and intermediate industrial commodities. In this context, in 2005 exports to the EU markets accounted for 67.0% of total exports of LD8bn, while imports from the EU accounted for 61.1% of total imports of LD8bn (Central Bank of Libya, 2006:43).

Over the past three decades Libya's international relations were adversely affected by the poor relations with the West. As a result, sanctions were imposed in 1992, and continued till 1999 (UN Security Council Resolution No. 748, of 1992;

BBC, 1999). In 2003, Libya resumed diplomatic relations with Washington which had been severed in the aftermath of the destruction of the US embassy in Tripoli by the masses in 1979. The American interest section opened in Tripoli on 8 February 2004; this was transformed into a communication office on 28 June of the same year (Xinhuanet, 2006)

The US lifted economic sanctions in September 2004, a decision which paved the way for the return of the American oil groups such Occidental, Chevron and Amerada Hess to Libya. Then on 31 May 2006 the US embassy was opened in Tripoli, followed by Libya being removed from the list of countries that sponsor terrorism issued by the American government. International acceptance was highlighted on 17 October 2007 when Libya was offered a seat as a member of the UN Security Council, bringing the tensions with the West to an end and opening the door for cooperation and mutual interests (The Egyptian General Corporation for Information, 2008). Thus, recent international politics related developments have improved the position for attracting FDI.

3.3.2.3 The social environment

Although Libya has a low population, it has one of the highest population growth rates in the world, especially during the 1970s and 1980s. Accordingly, Libyan society is predominantly a young society, which is forward looking.

As previously discussed, Libyan is mainly desert or semi-desert with coastal plains and basins, mountainous highlands and valleys. The diversified nature of the Libya has resulted in a diversity of life patterns, including the pastoral Bedouin who base their society on the idea of tribalism in contrast to life in rural areas where the agricultural environment is important. For this reason every region in Libya has its own customs and traditions that make it unique.

Theoretically speaking there is nothing that prevents women from taking jobs and partaking in all social and economic activities, as all legislation supports this, even allowing them to take senior jobs in the public sector. However, in practice, despite that women are now taking part in all aspects of life, there are still obstacles preventing women from fully participating in the job market. These obstacles are primarily related to customs and traditions, especially in areas where they mix with men in the workplace. Second, Libyan women want to work close to home because of

the huge family and social responsibilities involved especially in the absence of proper family planning and birth control schemes: the average size of a family is 6. Third, women are adversely affected by families from house, and divorce which requires a woman to move to another home that is probably not near her workplace. Fourth, maternity leave given to working women in accordance with Article 25 of the Social Security Law is not consistent with jobs such as teaching. Fifth, some families still consider the role of the working woman as minor and unimportant, particularly among high income families (Elaph, 2004:4).

3.3.3 Economic Life

In order to understand Libyan economic life, it is important to give a brief introduction about development of the Libyan economic system, which has continuously changed its philosophic aims and principles, as well as other aspects associated with the organisation of investment and economic activities.

Following independence the Libyan economy was based on the logic of 'let him work and go'; meaning a person should do what he wanted and should have the freedom to do what he wanted to do with his property (Shernanna & El-Fergani, 2007:22).

Following the 1969 revolution profound changes were introduced into the economic system. From the start of the revolution until the emergence of the Green Book written by Colonel Gaddafi in 1977, the RCC adopted a socialist perspective inspired by the philosophy of the Arab Socialist Union which was based on the idea of socialism or state ownership of productive elements (Shernanna & El-Fergani, 2007:23). The next stage was people's capitalism which came as a natural consequence of the Green Book. Chapter two of the book discussed the main features of the economic system. The system can be defined as a system which allows the private ownership but limited to an individual's efforts. Other than this, ownership should be a partnership between the owners of capital and the workers. Accordingly, work relations are based on partnership instead of wages (Gaddafi, 1984).

However, the Libyan economy is small both in terms of local market size: in 2008 nominal GNP was LD105.0bn and real GNP was LD46.132bn (see table 11.1). However, the Libyan market is expanding faster than the global economy: in the last three years the average growth rate in Libya was 6.2% compared to 4.3% for global

growth. In addition, the demand for goods and services as measured by per capita income is increasing: LD8665.0 in 2006, LD 8970.4 in 2007 and LD9331.7 in 2008 (Central Bank of Libya, 2009). This rapid growth can be explained by a number of factors, particularly the increases in oil prices. Also, in this regard it is worth mentioning that as far as Libya is concerned the economy was not affected by international recession from 2008.

Table 3.4 Real GNP and per capita Income 2006-2008 (Constant 2003 Prices)

Year	Real GNP (LD m)	Growth Rate (%)	Population (m)	Per capita income (LD)
2006	46,132.0	6.0	5.324	8665.0
2007	48,709.0	5.6	5.430	8970.4
2008	51,687.9	6.2	5.539	9331.7
Average growth rate		**6.0**	**Average per capita income**	**8989.1**

Source: Compiled by the researcher from the 52nd annual report of the Central Bank of Libya, 2009.

Also, the fact that the nominal GNP increased from LD80.8bn in 2006 to LD105.8bn in 2008 at an average annual growth rate of 24.4% constitutes a positive indicator. According to the Central Bank of Libya the increase in nominal GNP is due to increases in the non-oil sectors from LD22.4bn (27.7% of the nominal GNP in 2006) to LD31.6bn (29.8% of GNP) in 2008. A number of factors can explain this increase, the most important of which is the high rate of inflation in 2008 (10.4%). Inflation was driven by increases in public spending and the subsequent increase in wages and the increasing cost of food (Central Bank of Libya, 2009).

It is important to note that the Libyan economy is dominated by oil. For this reason Libya is classified by the different international and regional organisations as one of the oil-producing countries. Oil is still the main source of foreign currency as the oil revenues constitute 95.0% of the hard currency (Shamiyah, 2007:7). Moreover, the oil sector contributed 52.5% of GNP in 2008 (the manufacturing, agricultural and services sectors the contributions of which were 5.3%, 3.3% and 38.9% respectively (The Central Bank of Libya, 2009:43). The strong link between the Libyan economy and the oil sector is highlighted by the Human Development Report, which argues that a 10.0% change in oil prices changes national income by 3.0% (Human Development Report, 1999:22).

The other aspect of the economy which is more serious relates to the possible failure to maintain high rates of growth as this would lead to a deterioration in development, as was the case during the 1980s and 1990s. This was closely related to the fall in oil prices and reduction in output of oil sector. Furthermore, other sectors such as agriculture, manufacture and services failed to provide a reliable alternative for oil to drive sustainable economic development.

The structure of economic activities takes numerous forms. The simplest of these involves individual investment projects, which are usually licensed to a single individual to operate in a specific field. The last census in 2003 recorded 108,532 licenses of which 81.1% were to individuals, of which more than 50.0% were associated with trade (PAID, 2003:34). Cooperatives are a second form of business entity, involving a number of individuals or families (could be one family) who invest their savings to establish a company by a participatory approach. The main condition is that members should choose one of the members to pursue the government procedures on their behalf, and contribute to the production process in both money and effort. Accordingly, net income should divide between partners equally. This approach was the second popular type, with 17.5% of the total licenses of which 46.8% were associated with the manufacturing industry (PAID, 2003:34). Third, a number of individuals may decide to establish a stock company with at least ten persons; each one should contribute to the company capital to a maximum of 10.0%. The stock companies accounted for 1.4% of licenses with 44.0% involved in trade, 27.9% in construction and 17.5% in manufacturing (PAID, 2003:56).

In addition, economic development plans sometimes require the state to invest in production projects or to provide public services. In most cases the private sector whether local or foreign declines to be involved in such projects for social and political reasons or economic considerations because of the low level of profit, as is the case with infrastructure projects involving road construction and seaports. State-owned stock companies also account for 1.4% of the licenses, with 44% involved in trade, 27.9% in construction and 17.5% in manufacturing (PAID, 2003:35).

In terms of geographical distribution Tripoli has the most licences: 21,627 or 20.0% of the total in 2003. Al-Zawya which is just 40.0kms from Tripoli comes in second place with 10.8%, followed by Benghazi with 7.1% of the total licenses (PAID, 2003:36).

The issues mentioned clearly indicate that the Libyan investment environment has improved considerably to become more FDI friendly.

3.3.4 Administrative and Organisational Conditions

The Libyan administrative system has seen a number structural reforms since independence in 1951, as the initial federal system was replaced by a unified state in 1963, at which time the country was divided into ten provinces. Following the revolution in 1969 this division was reviewed with some provinces being cancelled and new ones introduced. However, this division was scraped in 1975 and the replaced by a new system where the country was divided into counties and sub-counties to be run by the Local People's Committees. In 1993 another new system was introduced in which the country was sub-divided into 13 regions (*minatiq*) consisting of 340 Basic People Conferences. In 1998 the county system was replaced by a new system of 26 administrative regions overseen by the people; a further six regions were later added total (Shernanna & El-Fergani, 2007).

It could be mentioned that currently public administration is organised by the Basic People's Congress as well as People's Committees. The People's Committees constitute the main channel through which the government provides public services such as licensing different economic activities. The People's Committees are monitored by the Basic People's Congress which has selected them to execute their decisions (Article No.1 of Law No.1 of 2001). Despite uncertainties in the initial year of operation, Libya now has a stable public administration, which is benefit to attracting FDI.

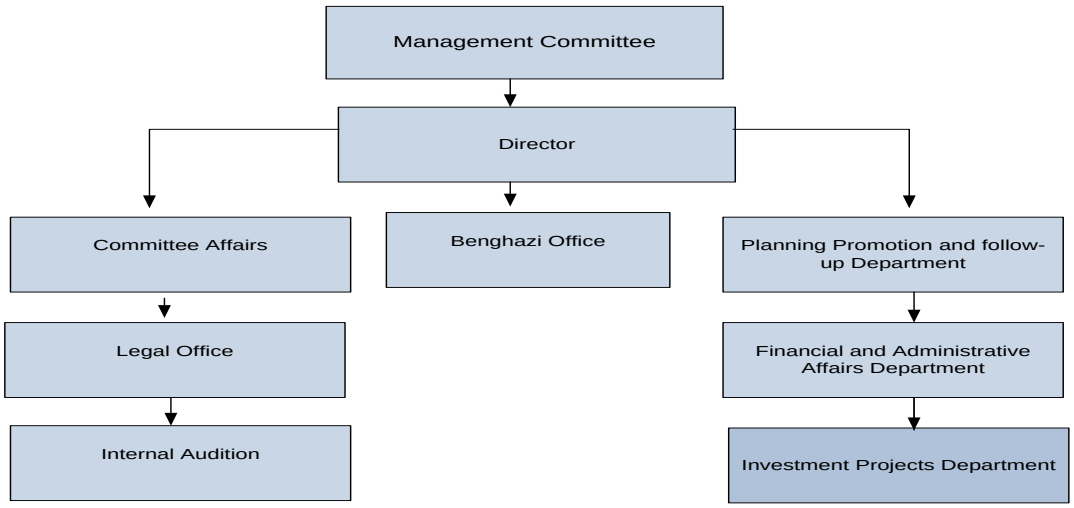
3.3.4.1 The Libyan investment board and processing of applications

The Libyan Investment Board (LIB) was established in 1998, under the supervision of GPC for Economics, Commerce and Investment. Prior to this foreign investment was dealt with through a department affiliated to the GPC for Economics, Commerce and Investment. Figure 3.1 highlights the structure of the LIB, which comprises the management committee, three departments, a branch and three internal offices.

The management committee mainly reviews plans for investment and monitors investment projects. The committee also takes decisions in relation to applications from foreign investors. These applications could involve branches of

already established projects, new projects or expanding and developing already established projects. The committee also reviews applications from investors in relation to the transfer of ownership in full or in part and remittances of invested capital. In addition, the management committee discusses reports from the Director-General of the LIB in relation to its activities, reviews investment legislation and gives recommendations for the development of legislation. Proposals for opening new management branches can be made at the discretion of the management committee. The committee can also propose changes to the internal organisation and take budgetary decisions, in addition to the approval of financial and management regulations in accordance with effective legislation.

Figure 3-1 The Internal Structure of the LIB



Source: LIB, 2008

The planning and promotion administration reviews and proposes investment plans and works towards the promotion of those plans, in addition to suggesting programmes and conducting studies to encourage investment. This gives the LIB a more active role. The board also undertakes the task of modifying and developing principles and measures and setting conditions for investment, in which case three departments are involved; financial affairs, administration affairs, and public relations department.

Finally, the investment projects administration approves foreign investment projects and provides the necessary service. It, also, controls and follows up foreign

investment projects at the establishment and operational stages through three of its departments; project affairs, investor's service and control and follow up department.

Overall, the LIB aims to provide the necessary infrastructure and investment environment to attract FDI.

3.3.4.2 Mechanism for processing FDI applications

The application form to obtain a licence for FDI is shown in Appendix 4. Figure 3.2 explains the FDI approval process. The application should be forwarded to the LIB through the Libyan Embassy in the home country or delivered by hand. Proof of identity of the potential investor must be endorsed by the appropriate authorities in the home country in case of individuals, or by an updated official document of the trade register from the original countries in the case of legal entities. These documents have to be originals with an Arabic translation (Articles No. 3 and 4 of the Executive Regulation).

Applicants are given proof of receipt and a registered number based to date of receipt. The application then discussed at the next monthly LIB meeting which reviews and forwards it to the GPC for Economics along with the technical reports and recommendations (LIB, 2009). According to Article No. 7 of Executive Regulation, the LIB is allowed up to 60 days for this stage.

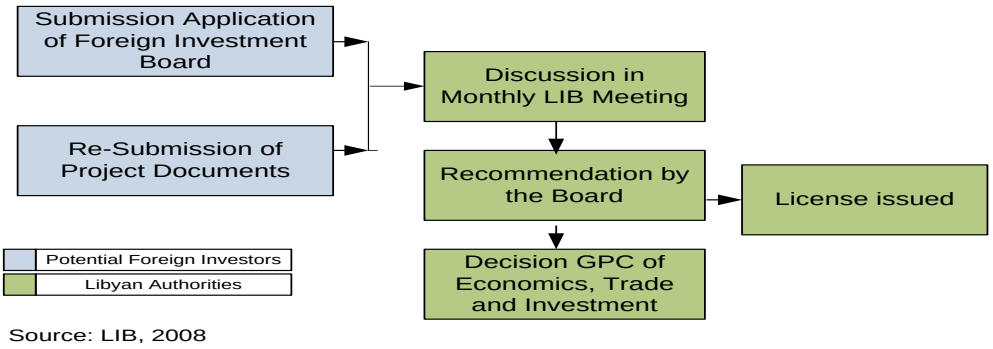
Accordingly, the final decision is made by the GPC for Economics. Then, the LIB director has to inform applicants of the outcome by letter within ten days. In the case of decisions that are conditional, the LIB director has to inform the applicant involved to fulfil the required conditions within 30 days (LIB, 2009).

Legislation can be classified according to its importance and power. Hence, the constitution is the most important, followed by the law, and then regulations (Abo Tuta, 2005:47). As discussed previously, the constitution was last amended in 2001, since when a stable constitutional environment has been established.

FDI-related legislation is relatively a recent practice in Libya. The first law regarding FDI was issued on 30 January 1968, followed by Law No. 5 of 1997 enforced on 29 May 1997 and its amendment Law No. 37 of 2002. Executive Regulation was invoked in accordance with GPC Decision No. 21 of 2002. A number of the provisions of this regulation have been amended by the General People's Decree No. 158 of 2004 (the National Council for Planning, 2008:22). In addition,

limited amendments have been introduced to the Law No. 5 of 1997 and Law No. 7 of 2003, permitting local currency (Dinar) investment in association with foreign capital (Shernana & El-Fergani, 2007:143).

Figure 3-2 FDI Approval Process



Source: LIB, 2008

3.3.5 Legislative and Legal Circumstances

The amended law and its executive regulations consist of 29 and 30 articles respectively. The main articles of the legislation covering FDI are discussed next. The government aims to encourage the foreign capital investment by enforcing the right legislation (leaving the door open for the local capital to participate) especially in relation to projects that incorporate state of the art technology, which can contribute to the improvement of local products to bring them into line with international standards (Article No. 1 of Law No. 7 of 2003).

According to the legislation the concept of foreign capital includes all foreign assets that are transferred into Libya (even if the owners of those assets are Libyan nationals, and also the local resources in case of foreign-local partnership), in the form of exchangeable foreign currencies transferred through official banks, equipment, machinery, spare parts, raw materials, any other facilities that are not available locally and other intangible assets such as patents, trademarks and logos, along with reinvested revenues and profits (Article 4 of Law No. 7 of 2003). The invested capital should not be less than US$50m or its equivalent in local currency, provided that the invested cash is in one of the exchangeable currencies; however, this condition does not apply to joint companies (GPC Decision No. 86 of 2006).

The laws do not specify any particular type of investment. Accordingly any economic activity is permitted provided that it is established in accordance with the provisions of the law, and that the final product is used for local consumption, as intermediate input for other related industries, for export or for any other service as approved by the General People's Committee (Article 3 of Law No. 7 of 2003). GPC Resolution No. 108 of 2005 has defined in detail the potential areas for investment as agriculture, industry and services, oil refining and the petrochemical industry, electric power generation, telecommunication, real estate and infrastructure, and tourism (GPC Decision No. 108 of 2005).

The main condition is that investment projects should produce products to boost exports or otherwise produce products to partially or wholly replace imported ones. Furthermore, investment projects should provide employment opportunities for the local workforce, as well as provide the appropriate training to boost the technical know-how and expertise of this workforce. The executive regulation stipulates: the conditions for employment of the national workforce; the use of trademarks, modern technology and technical expertise, and any other services that will boost the national economy; enhancing integration between already established projects, by reducing production costs, or by providing materials and other requirements for running these projects; optimising the use of local raw materials; and should contribute to the development of economically backward areas (Article 7 of Law No.7 of 2003).

Libyan legislation provides foreign investors with a number of rights. These include the ownership or rental of land, and the establishment of buildings on this land. Investors have the right to transfer invested capital abroad in cases where the project terminates, is partly or wholly sold five years from the date of licensing the project, is phased out, or fails to start six months from the date of licensing due to unforeseen circumstances. In all these circumstances the transfer process should follow the same procedures through which the capital was brought into the country. The investor has the right to abandon the project altogether and transfer the ownership to somebody else in part or in full. The foreign investor also has the right to transfer his/her share of the annual profits, as well as carry forward losses for a period not exceeding five years. The investor is entitled to import free of customs duty whatever is necessary to run the project including building materials and machinery. The foreign investor also has the right to hire the necessary expertise and skilled labour

from abroad provided that it does not exist locally, and the foreign labour are allowed by written contract to transfer their wages or any bonuses provided to them to their home countries. The products of the projects can be exported tax free (Articles No. 12-17 of Law No.7 of 2003, and No. 20-26 of the Executive Regulation).

According to the legislation the foreign investor has a duty to start the project within six months from the date of approval, and has to commit to the agreed license regarding the venue and nature of economic activity. It is incumbent on investors to provide the necessary training to the local workforce, and that the national workforce should have the advantage over the foreign workforce in cases where the two are equally qualified. The bookkeeping of the project should be according the Libyan commercial law, and that the annual budget of the project should be approved by a legal accountant, with copies presented to the Corporation for Investment and the Tax Department. The former should also receive an annual report on the activities of the company and any developments or changes made to the original scheme of the project (Article 21 of Law No. 7 of 2003, and Articles No. 17 and 27 of the Executive Regulation).

The legislation grants many exemptions and privileges following the examples of other countries which host foreign investment. However, for the project to be eligible exemptions it has to be situated in one of the development areas defined by the General People's Committee, or it has to contribute to the food security scheme by focussing its activities on the production of cereals or animal resources, or food industries which depend on local raw materials. In addition, the project should use solar energy or other renewable energy source, and should use the minimum amount of water for irrigation. The project should also take into account environmental aspects by using facilities that keep carbon emissions to a minimum. The following exemptions are available: (1) All necessary imported items including building materials, furniture, machinery and equipment and transport facilities. These are exempt from tax and customs or any other duties; (2) All imported inputs such as raw materials and spare parts are exempt from tax and customs or any other duties for at least five years, and this period can be extended for another three at the discretion of the People's General Committee; (3) Items produced for exports are exempt from production tax, as well as from all other duties imposed on exported products; (4) The project is exempt from income tax for five years from the date production or work

started depending on the nature of the project. Usually that date is considered as the date the license was granted. Another three years of exemptions can be given at the discretion of the General People's Committee or if the profits are reinvested; (5) The foreign investor has no obligation to abide by the effective laws regarding the commercial, industrial and import and export registers; and (6) The project is exempt from stamp duty imposed on commercial documents or any other drafts (Articles No. 10, 11, 14 of Law No. 7 of 2003, and Articles No. 13 and 18 of the Executive Regulation).

3.4 LIBYAN POLICES AND GUARANTEES

As has been discussed previously, many countries pursue policies to improve their investment environment in order to attract foreign capital. However, to reach that end countries have to cope with the fast pace of global development, open market policies, and the huge developments in information technology and telecommunications. In these circumstances it is not easy for any country to remain isolated from these developments, given the potential difficulties it would face particularly in areas such as exports and the flow of capital. For this reason, many countries, including developing ones, have managed to adopt appropriate reforms aimed at restructuring their economies in order to improve their competitiveness.

In addition, policies tend to organise the mechanisms that control different economic activities. Hence in order to maximise the potential economic benefits as well as protect the rights of all parties involved, economic activities should take place under the umbrella of a suite of policies. In this context, this section addresses the policies and guarantees provided by the Libyan government to investors.

3.4.1 The Development of Libyan Policies towards Investment

Libyan policies towards investment can be classified into four stages, starting from building economic base to opening the door for FDI.

3.4.1.1 Building the economic base

Prior to independence and the discovery of oil Libya was economically underdeveloped, and apart from simple infrastructural facilities which were completely destroyed during the Second World War, there was nothing to indicate any economic progress. Following independence oil was discovered in the late 1950s, and in the mid-1960s oil exports commenced. Thereafter the oil revenues became the

foundation of economic activity. This encouraged the government to rely on central planning as a method for economic development. The first development plan was carried out in the period 1963-68. Most investment projects were implemented by the private sector, both local and foreign. Economic studies show that during that period the workforce employed by the private sector was more than 70% of the total workforce (Gailani, 2008, 19).

3.4.1.2 Monopoly of private investment

With the advent of the September 1969 revolution the new regime worked towards nationalising the foreign banks. The law of Nationalisation of Foreign Shares in Local Banks was issued in 1970, followed by Law No. 31 of 1970 granting state control over insurance companies. In 1976, the People's General Congress in its second session issued its resolution regarding the nationalisation of foreign trade. In parallel policy-makers were implementing three comprehensive development plans: 1973-75, 1976-80 and 1981-85. These plans allocated a total of LD24.0bn with actual spending of around LD22bn or equivalent 90.9 %. Thereafter, Libya changed its strategy to annual development plans based on the budget instead of three-year or five-year plans. The development plan usually focused on the requirements and methods of funding of different economic sectors (GPC for Economics and Planning, 1995:11).

The plan for socio-economic transformation in the period 1976-1980 defined the responsibilities of the public sector and the local and foreign private sector through the structure of permanent capital in different economic sectors, and the through the distribution of investment between the public and private sectors. However, the liberalisation of the national economy from the domination of foreign companies was the main feature of this stage. Thus, the public sector gradually came to dominate the economy by controlling 86.6% of the total investment (Shernanna & El-Fergani, 2007:12).

However, the main reasons for the public sector starting to dominate was the widespread poverty and the vast differences in individual incomes before the revolution, the poor infrastructure and human resources, and the sudden rise in public revenues as a result of the increase in the state's share of oil revenues following negotiations with foreign companies in the aftermath of the revolution. This was predicated on the surge in crude oil prices and interest rates in international markets

and the subsequent increases in the country's reserves of foreign currency, which drove the rise in public spending on infrastructure projects in the public services and the production of consumer goods. All those had positive impact on the economic performance in Libya leading to non-oil GNP growth rates reaching 9.0% and 13.0% in 1979 and 1980 respectively (Gailani, 2007:6; Human Development Report, 1999:53).

Unfortunately the economic prosperity that followed the revolution did not last long. By 1980 oil prices started to drop as demand for oil fell as a result of the economic recession in the industrialised countries and increases in the supply of oil by non-OPEC members. Consequently, Libya cut its production from 2m barrels per day in the mid-1970s to around 1.2m barrels per day in 1982. As a result, given its fragile structure, the Libyan economy started to deteriorate. The most important causes for that deterioration were the poor performance of the public investment projects coupled with increases in public spending based on borrowing from state-owned banking system which lead to increasing levels of inflation. The very limited options available to the Central Bank of Libya in relation to monetary policy coupled with its command of the other commercial banks resulted in the Bank failing to control the economic situation at the time. In these circumstances the state had no option but to implement deflationary policies by implementing quantitative restrictions on imports, and keeping exchange rates under control to influence the balance of trade. In this context, important measures were taken, including the licensing of imports in accordance with the People's General Committee No. 1339 of 1981, which limited imports to government departments and public investment projects. Moreover, the import of luxury goods or goods that were produced locally were banned in response to GPC Resolution No. 1315 of 1981. In order to achieve this goal the government opted for annual import budgets starting from 1981, in addition to reducing foreign travel allocations, cutting of foreign labour and increasing custom duties. Also, the People's Basic Congresses in their third annual session in 1982 issued a resolution that was approved by the People's General Congress in 1983 to become a law limiting trade to the people's markets which are controlled by the public sector (Al-Shukri, 2003:2).

As a result of these deflationary policies many commodities and local services became less available, leading to malpractice by those who dealt in these services and

commodities, whether individuals or legal entities, in an attempt to maximise their profits. Thus, the black market flourished during the 1980s and 1990s, to the extent that it is estimated that in 1982 it was 2.3% of the non-oil GNP (the equivalent of LD123.5m) and it grew to reach 10.6% of non-oil GNP (LD1,132.0m) in 2000 (Gailani, 2008).

However, these developments produced a number of positive results, the most important of which was the establishment of infrastructure projects including the construction of roads, power stations, airports and the extension of telecommunication networks. It would not have been possible for the private sector to undertake such a task, which included the establishment of a national industrial base that diversified the sources of national income and gave a source of economic stability. It also boosted individual incomes, and helped develop the use of local resources including importantly human resources (Shernanna & El-Fergani, 2007:14).

On the other hand, the control of the public sector over economic activities produced a number of negative impacts including: the failure to create new resources to replace oil as the only source of foreign currency; an almost complete reliance on the import of spare parts costing huge amounts of foreign currency; weak productive capacity in terms of quality and quantity which ranged between 0.0% to 36.4% of the potential capacity; the failure of the public sector to develop and expand its investment projects to increase productivity or otherwise produce new commodities; and a lack of budgetary control. This resulted in the increasing dependence of the economy on the public coffers as a main source of funding, which in turn was dependent on revenues that were affected by international variables. For example, production of oil is controlled by OPEC, and the oil prices in international markets are subject to supply and demand. Projects controlled by the public sector became the main employer in the economy: the public sector employed 75% of the total workforce during the 1970s. Hence, increased public sector employment, allied to decreasing productivity and the lack of motivation in the public sector, resulted in an extra financial burden (Manisia, 2002:105; Shukri, 2003:3). Furthermore, the public sector workforce was given a job for life with an almost fixed income according to the law (the public sector was organised by Law No. of 1976 amended by Law No. 15 of 1981) no matter how incompetent the person, and usually social relationships based on tribal links proved to be an advantage in getting a job in the public sector.

3.4.1.3 Encouraging the local private sector

From 1985 the government decided to re-open the door to the local private sector, by issuing Law No. 9 of 1985 concerning cooperatives, which gave the right to individuals to be involved in industrial or agricultural economic activities. Then a few years later the process of privatisation of the public sector started, with projects being transferred to the ownership of cooperatives in accordance with the GPC Resolution No. 427 of 1989. Accordingly around 4,845 productive units were transferred between 1989 and 2001. This privatisation process mainly targeted production outlets which were broken down into the smallest possible units in order that each unit could be owned by its workforce in the form of a cooperative. These cooperatives were valued at a total LD167.8m, and consisted of 145 industrial units, 45 animal production units, 219 maritime production units and 4,436 agricultural units (GPC Resolution No. 427 of 1989). By and large the cooperatives were not successful and the process failed to achieve the anticipated goals. In fact, most of the cooperatives failed to meet their instalments and only a total of LD43.2m was repaid by 2001. Moreover, productive institutions ceased to operating for various reasons, including shortages in raw material which sometimes were not imported at the right time, the manipulation of budgets involving production items, and a lack of qualified managerial and technical staff (Shernanna & El-Fergani, 2006:46).

Furthermore, the international sanctions imposed on Libya in 1992 exacerbated the problems of these units by disrupting the flow of raw materials from abroad. Furthermore, with the banning of the Libyan airlines from international flights a major productive sector could no longer operate. Also, the sanctions slowed down foreign trade activities, making the import of items only possible through agents which eventually increased costs. Sanctions are estimated to have cost the economy US$333bn a year. In addition, it curtailed the import of labour with the skills essential for a number of the cooperatives (Obeida, 2003:9).

Law No. 9 of 1992 defines five categories of company that can be involved in economic activities: individuals; families; cooperatives; joint-stock companies; and public sector organisations. Law No. 1 of 1993 which is concerned with organising banking, monetary and credit activities, for the first time permitted private banks in the form of stock companies. Finally, The People's General Committee Resolution No. 300 of 1993 concerned with the regulation of ownership of the public utilities,

and No. 431 of 1993 about the organisation of wholesale trade paved the way for greater private sector involvement (Al-Shukri, 2003:4).

In a parallel development an important move was made by the government and commercial banks to provide loans and paper credits in support of the process of transformation to cooperative production in order to help resolve the problem of unemployment by creating new jobs. However, only the local private sector could take advantage of the services provided by the banks, and the scarcity of hard currency coupled with the fact that the foreign exchange market did not exist, made the chances for obtaining hard currency very slim, as a result nepotism was rampant. Hence, although a considerable amount of legislation was passed, the process was ad hoc, vague and uncertain. In the meantime the foreign sector was still subject to high levels of restrictions and the control of foreign exchange and prices, which curtailed the role played by foreign capital.

3.4.1.4 Opening the door for FDI

The process of restructuring the Libyan economy which started at the beginning of the third millennium was initiated by the Central Bank of Libya attempting to block the parallel foreign exchange markets. Consequently, commercial banks were allowed to deal in foreign currency but individual transactions to less than LD10,000 per day, with the official exchange rate almost equal to that of the black market. The exchange rate was then gradually reduced until it reached US$1.00 for LD1.00 in 2001. This then made it possible for investment projects (both domestic and foreign) to obtain unrestricted volumes of foreign currency at the official daily rate set by the Central Bank of Libya. These moves coupled with policies that removed price support for goods reduce the level of the black economy, so that by 2006 its share of non-oil GDP had fallen to 3.1% (Gailani, 2008:19).

The privatisation programme slowed after 1994 was revitalised when the GPC issued Resolution No. 198 of 2001 which resulted in the establishment of the General Authority for the Ownership of Public Economic Units. Then, in accordance with the Secretariat of the GPC Resolution No. 313 of 2003, 360 large and medium-sized public owned production companies, large or medium were placed under the control of the General Authority with the objective of transferring ownership to the workforce or to local and foreign investors. Two different processes for transfer of ownership

were used: the medium companies were achieved through contract makers; and large companies through an exchange market (Shernanna & El-Fergani, 2006:48).

This second stage of privatisation was relatively successful when compared to the first stage in 1980s, as most of the financial, administrative and economic difficulties faced in the first stage had been overcome. This was primarily due to the handling of the process by General Authority rather than the local council committees. In addition, the creation of a local industry sponsorship fund ensured that the new projects were debt free, as opposed to the first stage in which the transfers came with heavy financial burdens. The increases in oil prices from 2000 supported the Central Bank's policies in relation to the equalisation of foreign exchange rates and reducing the black market. This made it possible for the privatised industries to easily get access to foreign currency in contrast to the first stage which was blighted by import budgets and international sanctions (Shernanna & El-Fergani, 2006:49).

A number of laws were passed to improve the climate for both local and foreign investment. For example, the Authority for the LIB was established, which was the first entity that was able to encourage FDI, in accordance with the provisions of Law No. 5 of 1997. In addition Law No. 4 of 1997 was concerned with the organisation of import and distribution of commodities, Law No. 9 of 2000 dealt with the organisation of border and free zone trade, Law No. 21 of 2001 focused on the organisation of economic activities and Law No. 6 of 2004 looked at the organisation of trade agencies. The GPC also issued a number of resolutions, the most important of which was Resolution No. 3 of 2005 which allowed foreign companies to open branches in Libya; Article 2 stipulated that a branch should operate for a maximum of five years subject to renewal. Resolution No. 8 of 2005 allows foreign companies to open offices in Libya. Other resolutions include Resolution No. 134 of 2006 involving the establishment of the Libyan stock market and Resolution No. 108 of 2005 which allows foreign investors to create partnerships with local investors in the agricultural, industrial and service sectors, including telecommunications, real estate, electric power and infrastructure, and tourism (Al-Shukri, 2003:5; GPC, 2007).

3.4.2 Guarantees for FDI

The government has tried to reassure foreign investors by granting a number of guarantees, in order to encourage FDI inflows. The guarantees include immunity against the risks of nationalisation, dispossession, seizure, reservation or freezing or

any other procedures with a similar effect unless by law or a court order in which case the victim will be entitled for prompt and fair compensation. Otherwise fair and prompt compensation should be paid according to the market price of the project. These procedures should be applied indiscriminately. Furthermore, investors have the right of appeal against any decision or any inconvenience that caused as a result of the implementation of the law, within 30 days from the time of first being informed in writing of the measures (Articles No. 20, 23 of Law No.7 of 2003, and Article No. 39 of the Executive Regulation).

It is important to note that whatever legal guarantees are provided, it does account for political risks. The next section looks at Libya's comparative political risk.

3.4.2.1 Political risks in Libya

As far as investment is concerned the term non-business or political risk refers to those risks associated with the political or security measures relevant to the host country. Political risks usually have an adverse effect on the investment environment by making it less attractive as the situation cannot be controlled or mitigated by the investor. Examples of political risks include nationalisation, confiscation, dispossession, seizure, terrorism which targets the economic and political interest of nations, political unrest and revolutions (El-Fergani, 2002:23).

In this context, it is important to note that the law which encourages foreign investment provides the appropriate guarantees protecting foreign capital against all potential risks including nationalisation, dispossession, seizure by force, confiscation, freezing or any other procedures that produce the same effects provided that these procedures are unlawful or are not part of a court order, in which case the person involved will be promptly and fairly compensated. Also, any procedures should be implemented indiscriminately and compensation should be based on the current market price of the project. Moreover, investors can make a written complaint against any decision deemed to be unfair or any inconveniences caused by the implementation of the law within 30 days from the date of first being informed of the decision in writing (Articles 20 and 30 of Law No. 5 of 1997, and 30 of the Executive Regulation).

In relation to terrorism and its possible adverse impact on tourism, it can be argued that the strong internal security measures in Libya have ensured of the country is free from the religious violence which has affected neighbours such as Egypt, Tunisia and Algeria in which bombings and other terrorist activities are common. Furthermore, political unrest whether militarily-related or otherwise does not exist in Libya: since the 1969 revolution (a white revolution per se) the country has been politically stable.

However, Libya is still poorly classified by international organisations and investment risk research centres. For example, according to the Economic Freedom Index Libya is ranked 154 among 161 countries indicating that the economic freedom is considered very weak (Investment Guarantee, 2004:11). On the other hand, Libya is ranked 26 in the second group of countries in terms of international competitiveness by the World Economic Forum (www.weforum.org). This index is considered an important tool by decision-makers for evaluating the competitiveness of national economies. The index covered 127 countries in 2007 (Investment Guarantee, 2007:9). Libya is also part of the Rational Administration Index issued by the World Bank which is related to the level of governance or rational administration. The index features six components including political freedom, civil rights, political stability and absence of violence, effective governance, the procedural environment, the rule of law and anti-corruption measures. The index covered 197 countries in 2002 with Libya being rated very poor in relation to political freedom and procedural environment, poor in relation to effective governance, the rule of law and anti-corruption, and average in relation to political stability and absence of violence (Investment Guarantee, 2004:19).

However, Libya does not feature in many classifications made by organisations and research centres. This is the case with the twice yearly Wealth of Nations index issued by the Money Matters Institute (Investment Guarantee, 2005:13). The availability of digital technology is another index issued by the World Economic Forum. This measures the tendency of society to use the opportunities available in the area of technology, information and communication (Investment Guarantee, 2005:18). Libya also does not feature in the e-Government Index issued by the UN in conjunction with the American Society for Public Administration (ASPA) (Investment Guarantee, 2005:17). The globalisation index issued by KOF institute, a

specialist in the studies of economic cycles, also excludes Libya. The index, which measures globalisation by reference to various social, political and economic dimensions, covers 123 countries based on information acquired between 1971 and 2003 (Investment Guarantee, 2006:18). The Global Retail Development Index, which has been issued annually by A. T. Kearney since 2001, does not include Libya. This index aims to provide help to countries with their priorities in relation to development strategies; therefore it includes 30 developing countries (Investment Guarantee, 2006:18). Finally, Libya does not feature in the Doing Business Index issued by the World Bank Group and the International Finance Corporation. The index features subjective standards for practicing business and measures their effectiveness in member countries (Investment Guarantee, 2007:19).

3.5 THE DEVELOPMENT OF FDI IN LIBYA

The LIB established at the end of 1998, at a time of adverse business conditions, which resulted in low inflows of FDI in its early years. However, boosted by the positive political developments in the Libyan-Western relationships and Libyan polices to improve business environment FDI inflows into non-oil sectors began in mid-2003 (Shaglabou, 2006:11).

The LIB is an independent organisation with its headquarters in Tripoli, and one branch in Benghazi. However, the government has recently considered opening offices abroad. The relevant legislations were passed with the General People's Decree No. 150 of 2007, but no offices have yet been opened (GPC Decision No. 150 of 2007). The LIB is run by a committee whose chairman and members are nominated by the Secretary of the PGC for Economics (Article No. 5 of Law No.7 of 2003).

The responsibilities and activities of the LIB are set out in Law No. 5 of 1997. Article 6 provides that the LIB has a duty to encourage FDI by using appropriate methods. The duties of the corporation include investigating and suggesting plans for organising FDI, monitoring foreign investment in the country and processing FDI applications. In relation to the applications the LIB has a duty to determine if they meet the legal conditions with the relevant feasibility studies. Thereafter, the LIB has to forward its recommendation to the Secretary. In addition, the Board has to carry out research in relation to projects that will boost economic development. The LIB also is given the power to take all measures that it deems appropriate for attracting FDI, through providing privileges and exemptions. Moreover, the Board has to resolve any

complaints or disputes arising from enforcing the law without affecting the legal rights of investors to go to court if necessary (Article No. 6 of Law No.7 of 2003).

The employees of the LIB are given special legal powers to monitor the enforcement of the law to prevent malpractice which if found they have to be referred to the appropriate authority. In order to achieve this, employees make regular inspections of the investment projects with the due checks of the accounts and documents associated with the different activities (Articles No. 22 and No. 28 of the Executive Regulation).

The legislation gives the right to the Board to process applications but the final decision is a matter for the People's Committee for Economics, Commerce and Investment (Article No. 9 of the law and Article No.3 of the Executive Regulation). Thus, the main duty of the LIB is to compile technical and administrative reports, but not to take decisions. Furthermore, involvement in an approved project falls under the authority of another corporation known as The General Corporation for the Transfer of Ownership of Companies and Economic Units according to the regulations of the ownership of companies and public economic units (Gamid, 2008:8)

Since 2007, in response to the People's General Committee Decision No. 150, the LIB has been attempting to establish a one stop shop (OSS) or one window service for issuing licenses in order to speed up procedures by overcoming the lengthy bureaucratic proceedings. The OSS would to provide all the necessary services for investors without having to involve other government offices. In other words the OSS will absorb the central and local government powers to provide the necessary licensing for approved investment projects (GPC Decision No. 150 of 2007).

As depicted in table 3.5, FDI inflows totalled LD3.4bn during the period 2003-2008, spread across 128 foreign and joint companies. This level of FDI is considered reasonable in relation to the short timescale involved and also because of the previous investment environment, which acted as an obstacle to foreign investment, particularly in the non-oil sectors was insignificant. The annual average growth rate of FDI inflows in this period was 135.6% which is very high, while the growth rate of new companies averaged 202.0% per year. Furthermore, despite the slow start volumes have increased significantly over the period; in 2003 only one company with

a capital of LD26m commenced operations, while in 2008 46 new companies capitalised at LD1.6bn were attracted to Libya.

Table 3.5 Growth in FDI, 2003-2008

Year	Number of Companies	Growth (%)	Total FDI Value (LD)	Growth (%)
2003	1		26,000,000	-
2004	9	800.0	88,114,453	238.9
2005	18	100.0	218,461,047	148.0
2006	24	33.0	362,928,264	66.0
2007	30	25.0	945,443,221	161.0
2008	46	53.0	1,551,298,853	64.0
Total	**128**	**202.0**	**3,422,245,838**	**135.6**

Source: Prepared by researcher based on information provided by the LIB.

The sectoral breakdown of the FDI inflows between 2003 and 2008 is highlighted in table 3.6. It is apparent that most of the companies were targeting the domestic market and were in the service sector, particularly tourism and real estate, and accounted for 60.2% of total FDI invested. There are a number of reasons for this. The most important factor is the active promotion of tourism activities by the government in recent years, coupled with the previously inadequate facilities such as hotels and tourism resorts, which have provided opportunities for investment. In addition, investment in the service sector in general is easier and gives returns in relatively shorter periods.

Table 3.6 Sectoral Distribution of FDI, 2003-2008

Economic Sector	Total FDI (LD)	Sector Share (%)
Agriculture	25,565,410	0.8
Manufacturing sector	1,336,194,400	39.0
Services	2,060,486,028	60.2
Total	**3,422,245,838**	**100**

Source: Prepared by researcher based on information provided by the Project Management Section, LIB.

The agriculture sector performed weakly attracting only 0.8% of the total foreign investment. The low foreign investment in the agriculture sector is due to many reasons, the most important of which is the limited arable land available (less 0.3% of the country). Furthermore, the high salinity of ground water and the lack of a clear cut investment scheme associated with the Great Man-Made River have made it impossible to invest in many areas. Overall, there are high risks associated with

agricultural investment such as ownership, the seasonal nature of agricultural production and a desert climate.

Finally, the size of workforce of foreign and joint companies has been estimated at 10,932 in 2008 of which 9,034 or 83% were locals (LIB, 2008:4)

Another important consideration is investments that have been licensed but have later been cancelled. The information shown in table 3.7, highlights that a total of 30 foreign and joint projects were cancelled between 2003 and 2007, of which only one project, the establishment of a health centre at an estimated total cost of LD2.00m had entered the execution stage. The rest were called off at the early foundation stage.

Table 3.7 FDI Projects Cancelled, 2003-2008

Year	Number of projects	Investment costs (LD)
2003	1	19,500,000
2004	3	11,820,001
2005	11	447,981,079
2006	8	3,632,707,751
2007	7	7,183,056,661
Total	**30**	**11,295,056,492**

Source: Prepared by researcher based on information provided by LIB.

Cancellations of licences were due to delays by investors which meant they failed to comply with the investment laws and regulations in relation to the deadline to start these projects. The failure to start the projects can be attributed to the difficulties involved with the establishment of investment projects such as failure to obtain the correct location, the protracted procedures and the inadequate infrastructure, such as electric power supplies, water supplies, sewage system and telecommunications.

3.6 SUMMARY

The Libya economy is relatively endowed with both natural and human resources. However, the infrastructure, especially in the area of information technology, needs to be improved significantly. Furthermore, despite the instability in the political, economic and administrative systems in the post-independence era, the issues mentioned so far are a clear indication that investment environment in Libya has improved considerably to become more friendly towards attracting FDI.

The LIB was established at the end of 1998 at a time when the business environment was particularly weak. A result, FDI inflows in its early years were slow. However, with the positive political developments in the Libyan-Western relationships since the suspension of UN sanctions in 1999 and the government's policy to improve the business environment FDI flows into the non-oil sector started from mid-2003.

CHAPTER FOUR
RESEARCH METHODOLOGY

4.1 INTRODUCTION

In order to understand the real causes behind natural phenomenon and events, researchers have developed a number of methods. In addition, a number of techniques and equipment have been developed to improve the accuracy and depth of the information gathered; however the type and nature of the information acquired depends upon the type of methods used.

The scientific approach which represents the conduit to research is based on a number of major axioms, most importantly that the relationships between these phenomena and their components exist independently from the individual's concepts and ideas. Yet, these phenomena are controlled and regularly kept under check by established laws, so that it would easily be possible to understand the characteristics and nature of these laws and the way they operate.

This chapter discusses the research design; strategies and the general methods used in this research, as well as the analysis of data gathered from the research population of foreign investors and senior Libyan government officials. The methods used to conduct the interviews and the difficulties involved are discussed.

It should be noted that the research method used in this study was based a combination of quantitative and qualitative techniques in response to the aims of the research and questions to be answered.

4.2 RESEARCH METHODOLOGY

Most people use the term 'methodology' to refer to the methods used in the research. In this respect Hammali (2003) perceives the scientific methodology as a series of clear cut rules and procedures on which the research is based so that practical results can be established. This implies that the purpose of methodology should go beyond the application of rules and procedures to involve the process of facilitating the scientific communication among researchers, as well as establishing clear cut

credible and verifiable systematic rules. In this research, the research methodology focuses on the basic principles as a source of strategies, means and techniques.

According to Bryman (2008), the social research methods can be divided into two main categories qualitative and quantitative. Qualitative methodology involves dealing with events and information in a non-quantitative manner, in which the results will be obtained through observation and analysis of events featuring attitudes, pictures, documents and communication through the word of mouth or otherwise (Smith, 1983; Trend, 1987; Zikmund, 2000). Qualitative research is advisable in cases where the research question addresses a specific topic or aims to understand or describe a specific event or phenomenon about which the researcher has very little knowledge such as cases where very limited literature is available about the subject under investigation (Ryan, 2002).

Quantitative research is usually worthwhile when ample literature and data about the subject of study are readily available, leading to the easy creation of specific hypotheses. Moreover, the level of clarity of the problem under investigation enables the researcher to use the quantitative approach to address the problem, not to mention other statistically credible standard measures featuring the variables to be analysed (Field & Morse, 1985).

The research methodology used in this study is qualitative. This is because the study aims to explore a particular case in a particular subject area. Secondly, and importantly, this study is based on measuring and revealing perceptions and the opinions of the participants. Since perceptions are qualitative in nature, this study is therefore benefits from a qualitative research methodology.

4.3 RESEARCH DESIGN

The design for any research provides the general framework for the acquisition and analysis of data associated with the phenomenon under investigation (Bryman, 2008). Nachmias and Nachmias define the term ‘research design’ as:

> The programme that guides the investigator in the process of collecting, analyzing, and interpreting observations. It is a logical model of proof that allows the researcher to draw inferences concerning casual relations among the variables under investigation. (Nachmias & Nachmias, 1982:75)

A number of designs are available for the researcher to choose depending on the research problems and the associated objectives. Bryman (2008) suggests five main types of designs as follows:

Experimental design: allows the researcher to investigate the impact of one independent variable on another dependent variable provided that all other variables which might influence the relationship between the two variables are kept neutral. The most important characteristics of this design are that it is based on a clear cut theoretical framework, and focuses on a small number of variables. It is also, possible for the experiment to be repeated many times over to study the independent effects of isolated variables on one another.

Longitudinal design: is associated with the areas of social sciences such as sociology and social policies. This type of design allows the researcher to study the development of the phenomenon within a certain period of time (Al-Hmmaliy, 2003).

Case study research design: a single case or unit is investigated in depth by the researcher by highlighting all aspects of the case in detail. The unit could be a homogenous society such as a school, a person or some kind of event (Bryman, 2008:52). This design is useful in cases where adequate information about the unit need to be gathered, particularly in cases where knowledge of all aspects of the unit or the case history of the person involved is indispensable (Attir, 1995).

Comparative design: entails studying two contrasting cases by using more or less identical methods (Bryman, 2008), in which case making comparisons at different levels and relating to different features is important (Attir, 1980).

Survey design: comprises:

> A cross sectional design in which data are collected predominantly by questionnaire or by structured interview on more than one case (usually quite a lot more than one) and at a single point in time in order to collect a body of quantifiable data in connection with two or more variables (usually many more than two), which are then examined to detect patterns of association (Bryman, 2008:44).

The survey design could include all the social elements, in which case it would be referred to as comprehensive survey. However, the design could include a limited number of elements as in the case with survey through using samples which is very common in social sciences, which researchers refer to as a social survey (Attir, 1995).

The social survey design constitutes the most appropriate one for the current research for a number of reasons: first, as has already been mentioned, this research aims to explore opinions and perceptions concerning whether or not the investment environment in Libya is appropriate for attracting further FDI? Consequently any research design needs to bear in mind the fact that the level of satisfaction of foreign investors in relation to the prevailing business environment in a country should reflect the views of these investors at the time of the data collection. Second, the measurement process requires the collection of information about a number of variables in relation to the business environment in Libya, which directly affects the degree of satisfaction of foreign investors. These factors are numerous and diversified including, economic, administrative, legal, political and social conditions. Finally, the method used for data collection to answer the research question depends on the design of the questionnaire, with the interviews providing extra support.

This research is also a case study, as the Libyan business environment as a focus of the research requires an in-depth investigation. In other words, since this study aims at collating detailed data related to Libyan business environment, which is not available otherwise, a case study is best suited to the objective.

4.4 RESEARCH STRATEGY

A number of research strategies are available depending on the nature and objectives of the research. Bryman (2008) identifies two main types of research strategy: deductive and inductive strategies. Deductive research strategy refers to the logic of drawing conclusions on the basis of given facts. Hence, this type of method implies the collection of a great number of facts, from which conclusions can be drawn. In other words a number of given facts do not need to be proven, and the conclusion should not be thought of as really new, but only presented in a new form which is more or less inherent in the already given information (Bryman, 2008). Inductive research strategy takes advantage of observation and data collection to answer research questions in order to establish laws and theories.

This research uses the inductive approach strategy to deal with the data collected through the questionnaire and the interviews.

4.5 RESEARCH METHOD

The concept of research method refers to all the methods and techniques selected by the researcher in the research. The choice of the appropriate method is a function of many factors including the nature of the research, the associated information, the nature of the research population, and the circumstances of the researcher with regard to money, time and experience (Rubhy, 1998).

In this research, the researcher used two types of techniques for data collection to investigate the research problem and to answer the research questions: the questionnaire and interviews. While the questionnaire is considered as a quantitative method of data gathering, interviews are a qualitative data method. These are discussed in detail in the following sections.

4.5.1 Questionnaire

The self-completion questionnaire is one method of gathering information. A questionnaire in essence consists of a number of questions in relation to the subject of the research whereby members of the research population have to give their responses to these questions. The questions should always be clear and easy to understand and should be included on one form. The questionnaire can be presented to participants in one of four ways: 1) by mail in which case an interview is necessary after completion; 2) by telephone; 3) by hand; or 4) by the internet either through a website particularly designed for this purpose or e-mailed (Bryman, 2008).

The questions can either be open-ended or close-ended, provided that the questions are initially examined for clarity, gradation, distinction and validity. An initial assessment of the questionnaire should take place by using small experimental sample to establish whether or not the questions are relevant to the aims of the research.

4.5.1.1 Design of the questionnaire

The researcher partly benefited from the questionnaire which was designed by the IPA. Key questionnaire topics was included aspects such as: company profile; suppliers; customers; access issues; motivation behind location issues; labour issues; infrastructure and business climate issues; access to capital and finance; living conditions; future plans and other issues; and cost benchmarks (MIGA, 2003:22).

The questionnaire (see Appendix 1) consists of four main parts, the first of which concerns the personal details of participants. This section consists of two sections: the first relates to the description of the investor as to his/her nationality, education, experience, occupation, etc; the second deals with the company owned/managed by the investor, including nationality, the economic sector in which it is involved, the municipality (sha'bia) where the company is based, its operational status, and international business experience in general and in Libya in particular.

The second part of the questionnaire investigate the views of the investors in relation to issues pertaining to local human, natural, and manufactured resources in terms of both quantity and quality. The third part investigates their views in relation to the Libyan investment climate focusing on the social, political, financial, and administrative. Finally, the last part looks at the most important barriers and obstacles that face investors and the guarantees and policies participants deem necessary for improving the Libyan business environment to help attract more FDI into the country.

4.5.1.2 Questionnaire population

The idea of a study population refers to all the individuals or units that should be targeted by the research. This research aimed to survey foreign investors who are in control of companies or branches of companies associated with sectors other than the oil and gas sector, i.e. all foreign companies registered with the LIB. As has already been mentioned in chapter four, the LIB started operations in 1999. However, from the LIB's perspective (particularly following the enforcement of the GPC resolution no. 86 of 2006 amending Law no. 5 of 1997 in relation to encouraging foreign capital amended by Law no. 7 of 2003) the definition of FDI is widely-based and in addition to foreign capital includes capital owned by expatriate Libyans and also capital owned by Libyan nationals in the case of shared investment with foreign capital. However, the definition of FDI used by this research, as has been already pointed out in chapter two, is

> The FDI is a sort of international investment involving mutual benefit between two entities belonging to two different economic environments, in which case one belonging to a specific economic environment (the foreign investor) permanently benefits from investing in an institution belonging to another economic environment (FDI institution) (UNCTAD, 2007:9).

From the forgoing it could be concluded that the main difference between the two concepts related to capital owned by expatriate Libyans. This research excludes

such companies. Therefore, it means that the research population should include foreign companies as well as foreign-local companies (termed joint companies for the purpose of this study).

As shown in table 4.1, 128 companies were registered with the LIB as at mid-November 2008, of which 34 are fully owned by Libyan investors living abroad. Consequently, the research population focused on 28 fully-owned foreign companies (30% of the survey population), and 66 joint companies (70% of the survey population). It can be clearly seen from the table below that 63 companies are being established (43 joint venture and 20 foreign companies), and 31 are already operating (23 joint venture and 8 foreign companies.

Table 4.1 Distribution of Research Population According to Ownership and Status.

Status	Foreign	Local	Joint Venture	Total
In Operation	20	15	43	78
Being Established	8	19	23	50
Total	**28**	**34**	**66**	**128**

Source: LIB, Investment Department.

Table 4.2 highlights the data in relation to economic sectors in which the foreign and joint companies operate. From the data only three out of the 94 companies operate in the agricultural sector, while more than half are in the manufacturing sector (53) and 38 operate in the service sector.

Table 4.2 Distribution of the Research Population According to Sector

Economic Sector	Number of Companies
Manufacturing	53
Services	38
Agriculture	3
Total	**94**

Source: LIB, Investment Department.

Foreign and joint were also assessed according to their geographical distribution within the country (see table 4.3). The majority of those companies operate in the densely populated municipalities or in areas not far from these municipalities. Thus around 52.2% of the research population was concentrated in Tripoli, 20.2% in Al-Jfara and 11.7% in Benghazi, which is located in the east of the country and is the second municipality (*sha'bia*) after Tripoli in terms of economic importance.

It is important that the researcher ensures that the population under investigation is well represented by the collected sample rather than just focusing on the size of the sample. Choosing the right methods of sampling can compensate for the lack of size of the sample in relation to an accurate representation of the study population (see Appendix 2 which displays the characteristics of the research population).

Table 4.3 Distribution of Research Population According to Location

Municipality	Number of Companies	%
Tripoli	49	52.2
Al-Jfara	19	20.2
Benghazi	11	11.7
Tarhoona and Mislata	4	4.3
Al-Zawiyah	2	2.1
Al-Nugat Al-Khams	3	3.2
Sibratah and Surman	2	2.1
Misratah	2	2.1
Al-Margab	1	1.1
Gharyan	1	1.0
Total	**94**	**100.0**

Source: LIB, Investment Department.

4.5.1.3 Questionnaire sampling

In an attempt to establish an efficient sampling, the following criteria were taken into account:

First: in order to make an accurate and fair representation of the study population the use of a proportionate stratified random sampling is necessary, due to the fact that the study population is investigated according to the four criteria of investment category, project status, economic sector, and location in Libya. Therefore, these four criteria should feature in the research sample. However, in order to make sure that the units are fairly and accurately represented the probability method, i.e. random selection of the units of the sample, was chosen.

Second: given the small size of the study population and its wide distribution in terms of the origin of the companies (32 countries) and the wide geographical dispersion in Libya among 10 municipalities (*sha'biyat*), it would have been possible to increase the sample up to 50.0% of the study population. Such a ratio would be appropriate to reflect all the characteristics of the study population.

The following steps have been taken to determine the study sample:

First: The size of the research sample has been determined in accordance with the status of the company (in operation or being established) given that 50% of the foreign or joint companies are chosen (50% of 63 ≈ 32 companies), which is also the case with foreign companies under implementation (50% of 31 ≈ 16 companies). Thus, the study sample constitutes 48 companies: 32 operating companies and 16 companies under establishment.

Table 4.4 Distribution of Research Population According to Ownership and Status

Status	Foreign	Joint Venture	Number
In Operation	10	22	32
Being Established	4	12	16
Total	**14**	**34**	**48**

Second: in determining the size of the research sample in terms of capital by choosing 50% of the foreign companies, giving a total of 14 companies, and similarly with the joint companies (50% of 66), giving 33 companies. However, for the purposes of calculation, number of joint companies was considered to be 34 companies. Thus the research sample constitutes 48 (14 + 34) companies (see table 4.4).

Third: In determining the number of companies in terms of sector half the companies in each sector were chosen. Consequently, a total of 48 companies were sampled, of which 27 from the manufacturing sector, 19 from the service sector and only 2 companies from the agriculture sector.

Fourth: A number of companies in terms of location have been determined by choosing 50% of the companies in each municipality.

Table 4. 5 Distribution of Research Sample According to Location

Municipality	Number of Companies
Tripoli	25
Al-Jfara	10
Benghazi	6
Tarhoona and Mislata	2
Al- Zawiyah	1
Al-Nugat Al-Khams	1
Misratah	1
Al. Margab	1
Gharyan	1
Total	**48**

The table 4.5 shows that companies from 9 of the municipalities in Libya were chosen, with Tripoli represented by 25 companies, Al-Jfara by ten, Benghazi by six, Tarhoona and Mislatah by two and one company in each of the remaining five municipalities.

In order to select the sample from the companies which operate under the authority of the LIB, the researcher sought the expertise of the LIB to highlight the major differences among companies with regard to the persons entrusted by the board (authorised signature).

From this initial investigation, however, some companies have only one representative whereas others have more than one representative. A summary of the details of the number of their authorised representatives is shown in Appendix 3.

4.5.1.4 Conducting and administering the questionnaire

The researcher conducted the fieldwork in Libya from 1 October 2008 until the end of March 2009. The work involved the survey of foreign investors in Libya and interviews with senior Libyan officials working in areas relevant to the research topic. The main aim of the survey was to investigate the participants' views and attitudes towards the business environment in Libya, particularly following the establishment of the LIB.

The exploratory visits to the LIB assisted not only by facilitating the research procedures but also by giving the opportunity for the researcher to become exposed to the method by which the LIB deals with applications made by foreign investors as well as their enquiries and complaints procedures. In addition, they provided great help in relation to the improvement of the questionnaire. Thus, two stages were involved in the survey: the first was the exploratory study; and the second was the general study.

The researcher administered the questionnaire by post due to a number of administrative and financial factors. First, the research population is distributed across a vast geographical area. Second, under such circumstances distributing the questionnaire form by hand would be difficult and time consuming, while the use of the internet was not an option as many foreign companies have no access to it. Third, to be fair to all participants in terms of time all forms went through the post including for the sample coming from Tripoli where the researcher was based. Fourth, to keep

expenses to minimum as the researcher was self-funded. Fifth, through this method the process of distribution and collection was kept under control, as the participants had to return the forms within three weeks from the date they received them.

4.5.1.4.1 Pilot questionnaire

An initial pilot study was conducted. The period before conducting the questionnaire took from the beginning of November 2008 until mid-December 2008, during which a number of activities were carried out:

First: the questionnaire was translated into Arabic as most of the investors are Arabic speakers and are not proficient in either spoken or written English. In order to make sure that the questionnaire is understandable it was translated into Arabic by a professional translator. Consequently two versions of the questionnaire were available one in English for English speakers and the other in Arabic for Arabic speakers.

Second: The questionnaire was presented to a group of experts and specialists at the LIB and also to a group of experts in social research. During the discussion the experts hinted that it was necessary to make modifications to the questionnaire.

Third: The questionnaire was tested to establish if the questions were understandable to investors who come from different cultural backgrounds. Therefore, it was decided to distribute the questionnaire among investors who made casual visits to the LIB. The size of this sample was set an equivalent of 10% of the study population of 94 companies: thus, ten companies were sampled irrespective of who represented them. After making consultations with the management of the LIB in relation to the pilot questionnaire the researcher was advised to remain in the reception area during the working hours (from 8.00 am to 2.00 pm Sunday-Thursday) until the required number of questionnaires were completed.

From the feedback the researcher noted that a number of the variables being investigated such as ‘flexibility’ and ‘appreciation’ were not popular with the participants, while some such as ‘corruption’ were completely undesirable, which led to their elimination.

As can be seen from Appendix 1 the exploratory survey consisted of 25 questions featuring 52 variables, 13 of which are independent variables and 39 dependent variables. It became evident to the researcher that the questionnaire, in its final form, was understandable and acceptable to foreign investors. The researcher

was able to make numerous observations during the exploratory survey bearing in mind the observations and comments made by the experts in social research and those from the LIB.

4.5.1.4.2 Conducting the questionnaire

Following the final design of the questionnaire, and after choosing the research sample, the researcher started the next stage, the general survey. This stage took more than two months from 10 January until mid-March 2009, during which a number of procedures took place:

First: Consultations were made with the management of the LIB regarding the postal distribution of the questionnaire via the investors' service department at the LIB. It was also decided that investors had to be authorised by the LIB and other government offices. The main reason for this is that the selected investors were aware of all the circumstances surrounding their investment in Libya at every stage from application to implementation and finally in operation. Accordingly, the questionnaire was posted to the participants through the LIB, with the provisos that the completed forms should be returned through the LIB and that no personal details of either the company or the participant were written on the envelope. Furthermore, the forms could be posted directly to the researcher if desired.

Second: Despite the close monitoring of the distribution process, and that participants were urged to complete the questionnaire as soon as possible, only 47 (56% of the total) were returned within the three weeks timetable. Furthermore, 28 questionnaires were returned without being handed over to the correct person, primarily because some had returned to their home countries over the Christmas vacation.

Third: Following the inadequate level of responses, and after consulting with the investors' service department in the LIB, it was decided that the questionnaire should be reposted to all participants. The initial questionnaire was sent with a covering letter outlining the aims and requesting that participants cooperate by completing the questionnaire and returning it as quickly as possible. For those that had returned the questionnaire initially a covering letter explained that it was resent because a number of questions had not been completed, and the participants were strongly urged to complete these fully and return it to either of the addresses shown.

The researcher also requested that those who already completed their questionnaire properly to ignore the second one.

Fourth: Three weeks on after the distribution of the questionnaires for the second time 25 more questionnaire were received, making a total 72 responses.

4.5.1.4.3 Questionnaire return rate

83 participants representing 48 companies were selected as the study sample. However, as seen from table 4.6 only 72 questionnaires were returned of which 68 were complete and four rejected because they were incomplete. Thus, the return rate of the questionnaire was 81.9%, which is impressive and reflects the level of awareness among the investors.

Table 4.6 Questionnaire Return Rate

Distributed	Returned	Valid	Invalid	Return Rate
83	72	68	4	81.9%

4.5.1.5 Questionnaire reliability

Reliability is an important process in research design. This stage measures the level of the constancy of the responses in the survey process. Bell defines reliability as "the extent to which a test or procedure produces similar results under constant condition on all occasions" (1993:64).

There are numbers of devices for checking reliability in scales and tests such as test-retest which is administering the same test a period of time after the first. In this research the reliability was measured by using Cronbach's Alpha which can be written as a function of the number of test variables, and the average inter-correlation between the variables. The formula for the standardised Cronbach's Alpha can be shown as:

$$\alpha = \frac{N.\bar{c}}{\bar{v} + (N-1)\bar{c}}$$

Where N is equal to the number of variables, c-bar is the average inter-item covariance among the variables, and v-bar equals the average variance.

By using the Reliability Statistics in the SPSS programme to establish the reliability of the responses, it can be clearly concluded from the data displayed in table 4.7 that the result for Cronbach's Alpha scale for the entire questionnaire was

0.818. As result, this grade of reliability means that the collected responses have a relatively good level and the findings have a good level of constancy.

Table 4.7 Reliability Statistics with Item-Total Statistics

No	Municipality	Cronbach's Alpha if Item Deleted
1	Language Knowledge	0.806
2	Technical Knowledge	0.813
3	Teamwork	0.801
4	Difficulties in relation to Human Resources	0.818
5	Availability of Natural Resources	0.821
6	Difficulties in relation to Local Natural Resources	0.836
7	Banking Services	0.814
8	Insurance Services	0.815
9	Electric Power Services	0.816
10	Water and Sewage Services	0.818
11	Telecommunication Services	0.824
12	Mail Services	0.825
13	Land Transport Services	0.810
14	Maritime Transport Services	0.808
15	Air Transport Services	0.811
16	Disposal of Solid Waste Services	0.812
17	Institutional Stability	0.812
18	Stability of Rules	0.812
19	Crime Rate	0.822
20	Importing Capital	0.810
21	Exporting Funds	0.811
22	Entry and Exit Visas	0.809
23	Accounting	0.807
24	Auditing	0.812
25	Initial Application	0.811
26	Application Procedures	0.806
27	Approval Time	0.793
28	Land Ownership	0.809
29	Nationalisation	0.811
30	Tax Exemption	0.817
31	Transferring of Profits	0.817
32	Business Obstacles	0.822
33	Establishment of Industrial Free Zones	0.819
34	Reducing the Minimum Capital Requirement	0.815
35	Simplifying Administrative Procedures	0.820
36	Allocation of Land	0.815
37	Improving the Infrastructure	0.818
38	Providing Business Maps for Potential Investment Projects	0.813
39	Improving Human Resources	0.819
Cronbach's Alpha if Item Deleted		**0.818**

4.5.2 Interviews

In collecting primary data for this research, interviews as a qualitative research method were used. In the interviews, an attempt was made to cover topics that were not easily investigated by using close-ended question, which were mainly used in the questionnaire. Also, following the researchers survey of the foreign investors several

issues were raised that demanded opinions both from official and professional stakeholders. Thus, the researcher deemed it was necessary to clarify and interpret some of the questions incorporated in the questionnaire. Thus, the interviews with senior officials in Libya covered five aspects (see table 4.8).

Table 4.8 The Structured Interview Sections

No	Section Title
One	The shortcomings of economic development in Libya
Two	The role of FDI in the adjustment of the shortcomings
Three	The government strategy for attracting FDI
Four	Difficulties facing the government regarding the implementation of the strategy
Five	The evaluation of the experiment of FDI in the period 2003-2008

4.5.2.1 Interview population

The interviews were carried with Libyan senior officials associated with FDI operations. The phrase 'senior officials' refers to all government officials occupying key supervisory positions at different levels of responsibility from the head of departments up to the secretaries of People's General Committees.

It is worth repeating (see chapter three) the management structure of LIB comprises: 1) the administration of planning, publicity and follow up; and 2) the investment projects administration. These two administrations each consist of three departments, making a total of six departments. The management board committee has five members including the secretary and his/her assistant. The investment administration of the GPC for Economics, Trade and Investment contains two departments. Consequently the personal interview population included 14 individuals, 3 of them selected from the GPC for Economics, Trade and Investment (2 heads of departments and the Secretary of the GPC for Economics, Trade and Investment) and 11 from the LIB.

4.5.2.2 Interview sampling

Interviewing all the senior officials involved with FDI was impossible given the limited time available for fieldwork. For this reason the survey was limited to a sample which was able to represent the senior officials' community in Libya.

As a preliminary step the author relied on a comprehensive survey by sending letters to all potential participants outlining the main aspects of the interview and requesting them to cooperate. Accordingly only those who responded were interviewed. Thus, the sample can be described as a convenience sample.

In terms of members of the sample, the table 4.9 shows that there were seven Libyan senior officials, one of whom was an ex-employee of the GPC for Economics, Trade and Investment. Of the six based at the LIB, five were heads of departments and one an assistant secretary of the LIB.

Table 4.9 List of the Sample of the Interview

Name	Position
Mr. A. Al-Sharoon	Head of Technical Cooperation Department at LIB
Mr. A. Alahrash	Head of Investor's Reception Department at LIB
Mr. G. Al-Aroush	Investment Affairs Department at LIB
Mr. T. Guthoor	Head of Investor's Services Department at LIB
Prof. F. Shernanna	Ex-Secretary of the GPC for Economics, Trade and Investment
H. Al-Zawi	Assistant Secretary of the LIB
Mr. N. Al-Gernazi	Head of Investment Affairs Department at LIB

4.5.2.3 Interview validity

Before commencing the interview the questions and procedures were reviewed by a specialised individual who provided his valuable observations and comments which highlighted the importance of focussing on government strategies and the difficulties involved regarding the implementation of these strategies. Furthermore, to check the compatibility of the interview method for this purpose the method was presented to a number of the experts at the LIB and accordingly two rehearsal interviews were conducted. By taking these steps the researcher ensured that the interviews were able to proceed according to plan.

4.5.2.4 Conducting the interview

The researcher held the structured interviews in the period from mid-February to mid-March 2009. All of the interviews were conducted with the subjects in their relevant offices during official hours. Originally, it was planned to use tape recorders provided that the subjects had given their consent in advance. However, a number of the subjects agreed to speak only on the condition that the conversation was not recorded. Thus, the idea of taping the conversations was ruled out and the researcher took written notes.

In each interview the researcher introduced himself to the participants and briefed them on the research, the research question as well as the purpose and the different aspects of the interview, reassuring them that they could discuss things at their own pace without intervention from the researcher who would write down their responses. The interview times ranged between 11 and 15 minutes.

After the interviews the researcher drafted the responses on separate sheets, which were then sent to the interviewees so they could review what had been said and raise concerns about the content. The interviewees were requested to reply within a week of receiving the letter. As there were no responses within the deadline, the researcher was able to move on to the next stage.

4.6 DATA ANLYSIS

Once the questionnaires were returned the researcher took a number of steps to process the data. The first step was to seek the advice of an expert in relation to the use of Social Package for Social Science (SPSS), and exchange ideas with them about the ideal way for codifying and analysing the data. The next step involved entering the variables from the questionnaire forms separately. Thereafter descriptive and inferential statistical analysis techniques were used to analyse the data and interpret the findings.

The interpretative technique in a manual manner was adopted in order to analyse the data from the interviews. This technique is defined by Bryman as "a strategy that respects the differences between people and the objects of the national sciences and therefore requires the social scientist to grasp the subjective meaning of social action" (2004:13). Consequently, the inductive approach for qualitative data analysis was utilised (Bryman & Burgess, 1994; Creswell, 2002).

This method is primarily aimed at assisting the understanding of the data by summarising the most important ideas from the raw data. In order to achieve this, responses to the interview questions were read a number of times in order to clarify all possible meanings and the main ideas were discovered and codified. The codes were then used to define the appropriate categories, and the categories were, in turn, reassembled into major issues highlighting the relevant themes. The main issues became clear after successive readings of the texts, which helped to establish the similarities and differences between individual responses.

4.7 LIMITATION AND DIFFICULTIES

The researcher had to overcome a number of difficulties in relation to the survey of the investors and the interviews with the senior officials. By highlighting these difficulties the exact circumstances surrounding the field survey can be clearly understood:

First: The initial questionnaire was relatively long, and following the pilot survey the researcher realised that each question included too many variables which might be off-putting for the respondents given they would have limited time in which to answer the questions. Hence in order to help make the survey a success the researcher had to reduce the number of variables for each question such as their views on the decision made by the GPC. Furthermore, open questions were omitted.

Second: The researcher also had a problem in defining the research population, given the fact that some foreign companies registered with the LIB were actually local companies owned by Libyan nationals resident abroad. Consequently, differences existed between the LIB's and researcher's definition of an FDI company. Thus, for convenience 34 companies owned by expatriate Libyans were omitted by the researcher from the list as local companies even though they were registered with the LIB as FDI companies.

Third: The research was heavily dependent on investors and senior officials, who by the nature of their work have limited time available: indeed, interviews with a number had to be booked a month in advance. This cost the researcher two months of time in distributing the questionnaire and receiving the completed forms back in almost two months, in addition to the complexity of the interview procedures.

Fourth: The questionnaire and the interviews were liable to touch on sensitive issues such as the political and economic conditions. For this reason many of the respondents in the survey stopped short of answering a number of questions. Faced with this situation the author withdrew the controversial questions, for example in relation to the term 'corruption'. Also, as a system of traditional government does not exist in Libya a number of questions had to be modified. Thus, in the interviews with senior officials the concept of 'government strategies' was replaced by 'general administration strategies'. Such modification would be helping the GPC which implements the resolutions of the Local People's Congresses as discussed in chapter 3.

Fifth: The researcher found that many senior officials were cautious in their responses and in a number of cases rejected the recording of the interviews. This is because surveys are not common practice in Libya and that the general administration has still to become acquainted with such practices.

Sixth: Despite the reasonable period that was planned for the field survey (which eventually took six months), the time was relatively very tight for the simple reason that preparations for the survey took more time than expected. For example, it took the researcher more than two weeks to obtain a statement from the GPC for Higher Education, and more than a month to finish the task of interviewing seven senior officials, of which six were located in the same place.

Seventh: Despite the cooperation of the staff of the investor's service department at the LIB regarding the distribution and collection of the questionnaire, the return was poor in the first stage: only 58% of the total distribution. This could be explained by the fact many of the foreign investors had already left the country on annual holidays at the time the questionnaire was distributed. In the aftermath of the low return ratio the author redistributed the forms, which resulted in the return ratio increasing to 82%.

Eighth: a number of stages had to be reviewed, particularly the exploratory survey stage, in order to avoid sensitive political and economic issues.

CHAPTER FIVE
EVALUATING THE LIBYAN BUSINESS ENVIRONMENT: A DESCRIPTIVE ANALYSIS OF THE PERCEPTIONS OF THE INVESTORS AND LIBYAN OFFICIALS

5.1 INTRODUCTION

Previous chapters laid the foundations for the empirical work presented in this chapter. This first empirical chapter aims to present descriptive findings from the questionnaire survey (see appendix 1 for a copy of the questionnaire) through the perceptions of foreign and joint companies in relation to the main aspects of FDI in the Libyan business environment by using SPSS. In addition, this chapter presents the analysis of the structured interviews involving senior Libyan officials whose jobs are directly related to the research topic.

The chapter is divided into eight sections. Following the introduction, the second section focuses on the general information in relation to the characteristics of the representatives of foreign and joint-owned companies including nationality, academic qualifications, experience and position. Section three contains general information about the companies whose representatives took part in the survey and includes nationality, economic activity, location and experience. Section four is concerned with the responses of the participants to the questions focusing on economic resources in the Libyan economy. Section five focuses on the level of satisfaction of participants concerning the investment climate concentrating on social, political, financial and economic aspects as well as managerial and organisational aspects. Section six is concerned with the responses of participants to the questions focusing on the level of legal guarantees on offer and proposed suggestions. The seventh section is designed to introduce the structured interviews findings. Finally, section eight reviews the most important aspects discussed.

5.2 DEMOGRAPHIC CHARACTERISTICS OF THE PARTICIPANTS

This section is devoted to the description of the respondents' characteristics, including nationality, academic qualifications, experience, and job description.

5.2.1 Nationality

Table 5.1 shows the responses of the sample according to nationality, from which it is apparent that local investors constitute the majority (32.4%). British investors were second with 8.8%, UAE investors were third with 7.4% and Italy fourth with 4.4%.

Table 5.1 Individuals' Nationality

		Frequency	Percentage	Valid Percentage
Nationality	**Libyan**	22	32.4	32.4
	British	6	8.8	8.8
	Emiratee	5	7.4	7.4
	Italian	3	4.4	4.4
	Other	32	47.1	47.1
	Total	**68**	**100.0**	**100.0**

The category of other (32) comprises representatives from 20 nationalities as follows: South Africa, France, Saudi Arabia, Germany, Tunisia, China, Cyprus, Morocco, Egypt, USA, Jordan, Spain, Belgium, Iran, South Korea, Holland, Qatar, Malta, Switzerland and Kuwait.

The distribution of responses at the continent level reveals that there are five nationalities from Africa, including Libya, with a total of 31 individuals representing 46% of the total. Ten nationalities are European, represented by 22 participants (32%). Eight nationalities come from Asia with 14 representatives (21%), and only one from North America (1%). The remaining continents have no representation which indicates that they have no investment in Libya.

5.2.2 Level of Education

Table 5.2 indicates that the majority of the research sample is made up of well-educated individuals, 64.7% of them being BSc holders or equivalent, and 23.5% of them having postgraduate degree. Thus, only a few participants have a low level of qualification: 4.4% are educated to elementary level and 7.4% to high school level.

Table 5.2 Level of Education Level

		Frequency	Percentage	Valid Percentage
Education	**Elementary School**	3	4.4	4.4
	High School	5	7.4	7.4
	BSc	44	64.7	64.7
	Postgraduate	16	23.5	23.5
	Other	0.0	0.0	0.0
	Total	**68**	**100.0**	**100.0**

5.2.3 Business Experience of Respondent

This section relates to questions three, four and five of the questionnaire. These questions are aimed at establishing the practical experience of company representatives involved, with respect to different business environments, and whether the participant has operated or invested in a country other than Libya, years of experience, number of countries or other business experience in Libya.

5.2.3.1 Business experience abroad

Table 5.3 indicates experience in terms of years spent by participants from foreign and joint-owned companies outside their countries. The data show that 26.5% have less than five years experience of working abroad. A further 8.8% have between five and ten years' experience and 35.3% have between 11 and 15 years' experience. In addition, 17.6% have between 16 and 20 years' experience of working abroad, and 11.8% have more than twenty years.

Table 5.3 Length of Business Experience of Respondent Abroad

		Frequency	Percentage	Valid Percentage
Experience abroad	**Less than 5 years**	18	26.5	26.5
	5-10 years	6	8.8	8.8
	11-15 years	24	35.3	35.3
	16-20 years	12	17.6	17.6
	More than 20 years	8	11.8	11.8
	Total	**68**	**100.0**	**100.0**

Table 5.4 shows the experience of participants according to number of countries in which they have worked. It can be seen that 23.5% of participants list Libya as the only country to host them as foreign investors. Furthermore, 29.4% of investors have previous experience in one other country, 22.1% have operated in two other countries, 13.2% in three other countries and only 11.8% have experience in more than three countries.

Table 5.4 Business Experience of Respondent by Number of Countries Engaged

		Frequency	Percentage	Valid Percentage
Experience in countries	**None**	16	23.5	23.5
	1 Country	20	29.4	29.4
	2 Countries	15	22.1	22.1
	3 Countries	9	13.2	13.2
	More than 3 countries	8	11.8	11.8
	Total	**68**	**100.0**	**100.0**

5.2.3.2 Business experience in Libya

This section aims to analyse the perception of the participants based on the length of their business experience in Libya. From the information in table 5.5 it can be seen that 38.2% of investors have had less than five years experience while 30.9% have between five and ten years experience. Furthermore, 13.2% of the investors have 11 to 15 years of experience, 8.8% of them have 16 to 20 years of experience, while another 8.8% have more than twenty years experience.

Table 5.5 Length of Business Experience of Respondent in Libya

		Frequency	Percentage	Valid Percentage
Experience in Libya	**Less than 5 years**	26	38.2	38.2
	5-10 years	21	30.9	30.9
	11-15 years	9	13.2	13.2
	16-20 years	6	8.8	8.8
	More than 20 years	6	8.8	8.8
	Total	**68**	**100.0**	**100.0**

5.2.4 Current Job

It is useful to identify the current jobs of the individual members. From table 5.6 it is apparent that the higher managerial levels dominate, as 39.7% of the total representatives are the head of the board of their relevant companies.

Table 5.6 Individuals' Position

		Frequency	Percentage	Valid Percentage
Position	**Board Chairman**	27	39.7	39.7
	General Director	24	35.3	35.3
	Manager	10	14.7	14.7
	Head of Department	7	10.3	10.3
	Other	0.0	0.0	0.0
	Total	**6**	**100.0**	**100.0**

In addition, 35.3% were general directors, 14.7% were heads of administration and 10.3% were heads of departments at the time the survey was carried out.

5.3 BACKGROUND CHARACTERISTICS OF THE COMPANIES

It has already been mentioned that the general characteristics of investors tend to play a significant role in the final results. Since this research is concerned with the economic activities of foreign and joint companies in Libya, it is appropriate to highlight the characteristics of the companies involved. This section is devoted to providing a summary of the information in relation to the characteristics of foreign

and joint companies whose representatives took part in the survey, including company nationality, activity, operation status, location, and company experience, whether in Libya or abroad.

5.3.1 Nationality

Table 5.7 highlights that most of the companies (82.4%) are subject to partnership between foreign and local investors with regard to capital, management and production. 17.6 % of the total participants belong to companies fully owned by foreign investors distributed between ten nationalities: Saudi Arabia and Malta each have two companies with one company from each of Britain, Tunisia, France, China, Belgium, South Africa, Cyprus and the UAE.

Table 5.7 Company Nationality

		Frequency	Percentage	Valid Percentage
Nationality	**Partnership**	56	82.4	82.4
	Saudi	2	2.9	2.9
	Maltese	2	2.9	2.9
	Other	8	11.8	11.8
	Total	**68**	**100.0**	**100.0**

5.3.2 Business Activity

Table 5.8 shows the distribution of the companies covered by the survey with regards to the major economic sectors. It can be noted that the industrial sector has the lion's share with 54.4%. The service sector is second with 41.2%, followed by the agricultural sector with only 4.4%.

Table 5.8 Company's Business Activity

		Frequency	Percentage	Valid Percentage
Sector	**Manufacturing**	37	54.4	54.4
	Services	28	41.2	41.2
	Agriculture	3	4.4	4.4
	Total	**68**	**100.0**	**100.0**

From the questionnaires engineering industries and other industries such as food and construction are the key industries in the manufacturing sector, with 20 respondents from the engineering sector, 11 from the construction materials sector and 6 from the construction industry. However, the health service sector is the most strongly represented with 21 participants, while the education has 4 respondents and 3 were from other services.

5.3.3 Project Status

It is important to understand the status of the companies. Table 5.9 indicates that 66.2% of the total participants were from companies which are actually operating, while 33.8% of companies are yet to be licensed to operate, although they do have an implementation license.

Table 5.9 Status of the Project

		Frequency	Percentage	Valid Percentage
Status	**Being Established**	23	33.8	33.8
	In Operation	45	66.2	66.2
	Total	**68**	**100.0**	**100.0**

5.3.4 Company Location in Libya

As discussed in chapter three, Libya has adopted a decentralised administration system, whereby the country is subdivided into counties (shabiat). Each county (sha'bia) has a number of representatives in the Basic People's Congresses and has financial and administrative independence. Libya is sub-divided into twenty-two municipalities: Al Butnan, Darnah, Al-Gubbah, Al Jabal al Akhdar, Al Marj, Al-Hizam Al-Akhdar, Benghazi, Ajdabia, Al-Wahat, Al-Kufrah, Sirt, Al-Jufrah, Misratah, Al-Margab, Beni Walid, Tarhoona and Mislata, Tripoli, Al Jfara, Al-Zawiyah, Sibratah and Surman, Al-Nugat Al-Khams, Gharyan, Mizda, Nalut, Ghadamis, Yafran and Jadu, Wadi Al Hayaa, Chat, Sabha, Wadi-Al-Shatii, Murzuq (GIA, 2006).

Table 5.10 indicates that the majority of FDI companies are operating in the main counties: 52.9% of participants are from Tripoli. Al-Jfara is second with 19.1% and Benghazi is third with 13.2% of participants.

Table 5.10 Company Location in Libya

		Frequency	Percentage	Valid Percentage
Location	**Tripoli**	36	52.9	52.9
	Al-Jfara	13	19.1	19.1
	Benghazi	9	13.2	13.2
	Tarhoona and Mislata	3	4.4	4.4
	Other	7	10.3	10.3
	Total	**68**	**100.0**	**100.0**

The companies that took part in the survey are confined to ten out of 30 municipalities but apart from Tripoli, Al-Jfara and Benghazi the representation in the other counties is relatively poor. For example, Tarhoona and Mislata county is

represented by three participants with only two participants from each of Al-Nugat Al-Khams and Misratah and one from Al-Zawiyah, Al-Margab and Gharyan. Thus 22 counties were not represented in the survey.

5.3.5 Assessing the Business Experience of the Company

Questions eleven, twelve and thirteen of the questionnaire aim to provide information about the business experience of the companies surveyed. This business experience is concerned with foreign environments other than Libya, and establishes details such as the number of countries; and the length of business in Libya and abroad.

5.3.5.1 Business experience of the company abroad

From table 5.11, it is clear that the majority of those who took part in the survey belong to companies with business experience ranging between five and less than twenty years outside their country of origin. In this regard 30.9% of all participants belong to companies with international business experience ranging from five to ten years. In addition, 26.5% of participants come from companies with experience ranging from 11 to 15 years, whereas 20.6% come from companies experience ranging from 16 to 20 years.

Furthermore, it can be concluded that companies with more than 20 years international experience as well as those with less than five years of international experience are poorly represented. In other words, only six participants come from the former and nine from the latter representing 8.8% and 13.2% of the total respectively.

Table 5.11 Company's Overseas Experience

		Frequency	Percentage	Valid Percentage
Overseas Experience	**Less than 5 years**	9	13.2	13.2
	5-10 years	21	30.9	30.9
	11-15 years	18	26.5	26.5
	16-20 years	14	20.6	20.6
	More than 20 years	6	8.8	8.8
	Total	**68**	**100.0**	**100.0**

In terms of foreign experience by number of countries 14.7% of the companies have no experience outside Libya (see table 5.12). It is also clear that 64.7% of the companies have business experience in countries ranging between one and ten countries apart from their home country. 13.2% of the investors represent companies

which have business experience in more than ten years apart from their countries of origin. In addition the exact foreign experience of 7.4% of companies is unknown.

Table 5.12 Companies' Experience by Number of Countries

		Frequency	Percentage	Valid Percentage
Overseas Experience	**None**	10	14.7	14.7
	1-10 countries	44	64.7	64.7
	More than 10 countries	9	13.2	13.2
	Unsure	5	7.4	7.4
	Total	**68**	**100.0**	**100.0**

5.3.5.2 Business experience in Libya

As discussed in chapter three, foreign companies which have been licensed by the LIB since 2003 are most likely source of new investment in Libya. Consequently, it can be concluded that the maximum experience for foreign companies in Libya was six years at the time the survey was carried out. Thus it is obvious that all foreign and joint companies represented in the survey have very limited business experience in Libya, as can be seen from table 5.13.

This is further confirmed by the fact that 58.8% of the companies surveyed have less than two years of business experience in Libya. Moreover, 36.8% of the companies surveyed have two to four years of experience in Libya and only 4.4% had more than four years of business experience in Libya.

Table 5.13 Company Duration in Libya

		Frequency	Percentage	Valid Percentage
Experience in Libya	**Less than 2 years**	40	58.8	58.8
	2-4 years	25	36.8	36.8
	More than 4 years	3	4.4	4.4
	Total	**68**	**100.0**	**100.0**

5.4 PERCEPTIONS ON ECONOMIC RESOURCES

Questions from fourteen to eighteen were designed to gather information in relation to the availability of economic resources in the Libyan economy. This section is dived into three main categories which are local human resources, natural resources and infrastructure.

5.4.1 Perceptions on Local Human Resources

Questions fourteen and fifteen in the questionnaire were designed to gather information in relation to the availability of human resources to attract FDI. Question

fourteen deals with the level of satisfaction of investors with the quality of the local workforce with respect to language skills, technical knowledge and team work. Question fifteen investigates the difficulties involved in relation to the availability of skilled workers.

It can be concluded from the findings in this section that most representatives appear to be satisfied, although with varying levels of satisfaction, with the quality of the local human workforce. However, it is also true that many of the respondents faced difficulties in relation to using those resources, with the major difficulty being the issue of importing foreign labour. The inadequacy of trained local labour and the restrictions imposed by the GPC for the Labour Force on foreign companies in order to provide more job opportunities for local labour are further issues.

5.4.1.1 Perceptions on language skills

Table 5.14 presents the findings regarding the language skills of the local workforce. From the findings, it can be seen that the majority of foreign and joint companies appear to be satisfied with such skills. In other words, 67.6% of representatives appear to be satisfied with the language skills of the local human resources. However, 16.2% of the respondents were dissatisfied with the foreign language proficiency of the Libyan workforce, while 16.2% were undecided.

Table 5.14 Perceptions on Language Skills

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	46	67.6	67.6
	Unsure	11	16.2	16.2
	Dissatisfied	11	16.2	16.2
	Total	**68**	**100.0**	**100.0**

5.4.1.2 Perceptions on technical knowledge

It can be noted from table 5.15 that the majority of international companies operating in Libya (72.1%) were satisfied with the level of technological know-how of the local workforce. However, 17.6% were dissatisfied, while 10.3% were undecided.

Table 5.15 Perceptions on Technical Knowledge

		Frequency	Percentage	Valid Percentage
Perceptions	**Satisfied**	49	72.1	72.1
	Unsure	7	10.3	10.3
	Dissatisfied	12	17.6	17.6
	Total	**68**	**100.0**	**100.0**

5.4.1.3 Perceptions on teamwork skills

The findings in table 5.16 highlight that the majority of respondents were satisfied with the teamwork performance of the local workforce in Libya. In this regard 63.2% of the participants were happy, as compared with only 22.1% o unhappy. 14.7% of the total respondents were undecided.

Table 5.16 Perceptions on Team Working Skills

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	43	63.2	63.2
	Unsure	10	14.7	14.7
	Dissatisfied	15	22.1	22.1
	Total	**68**	**100.0**	**100.0**

5.4.1.4 Perceptions on difficulties regarding human resources

Table 5.17 summarises the responses of participants in relation to their experiences of difficulties regarding human resources. The data shows that 26.5% of respondents indicate that no difficulties have been experienced while 41.2% of responses refer to difficulties involving the import of foreign labour. Furthermore, 22.1% of respondents cited the inadequacy of a skilled and qualified local labour and 10.3% were unhappy with the regulations that force them to employ unskilled individuals.

Table 5.17 Perceptions on Difficulties Regarding Human Resources

		Frequency	Percentage	Valid Percentage
Difficulty	**None**	18	26.5	26.5
	Importing Foreign Labour	28	41.2	41.2
	Laws that specify the number of local employment	7	10.3	10.3
	Scarcity of skilled labour	15	22.1	22.1
	Other	0.0	0.0	0.0
	Total	**68**	**100.0**	**100.0**

5.4.2 Perceptions on Local Natural Resources

The availability of natural resources is a main requirement to attract to FDI to a country, but these resources should be available in the appropriate quality and quantity. Therefore, two questions were designed (questions sixteen and seventeen) to investigate the opinion of the representatives in relation to the dependence of their companies on local natural resources as well as any problems involved. Question sixteen investigates if international companies depend on local natural resources, while question seventeen investigates the most significant difficulties involved,

particularly in relation to the availability, quality and the cost of these resources in the local market. It should be noted that as the questions were multiple choice a fifth option was open for participants to mention any other difficulties involved, while the first option referred to no significant difficulties.

More than half the international companies operating in Libya depend in one way or another on local natural resources, but a number of difficulties are apparent in the use of these resources. The major problems are scarcity and the consequent high cost of these resources, in addition to poor quality in some cases.

5.4.2.1 Dependency on local natural resources

The findings in table 5.18 reveal that the majority of foreign companies (61.8%) depend on local natural resources in the production process. 38.2% of respondents stated that their companies do not rely on local natural resources.

Table 5.18 Dependency on Natural Resources

		Frequency	Percentage	Valid Percentage
Dependency	**Yes**	42	61.8	61.8
	No	26	38.2	38.2
	Total	**68**	**100.0**	**100.0**

5.4.2.2 Perceptions on difficulties regarding natural sources

Table 5.19 shows that 41.2% of the total number of representatives experienced no problems using local natural resources. The findings also indicate that 58.8% of all participants encountered some problems regarding the use of local natural resources. In order of importance these were: 36.8% highlight limited materials in the local market; 11.8% refer to the high cost of natural resources; 5.9% refer to poor quality; and 4.4% refer to other problems such as registering a plot of land to establish their projects.

Table 5.19 Perceptions on Difficulties Regarding Local Natural Resources

		Frequency	Percentage	Valid Percentage
Difficulty	**None**	28	41.2	41.2
	Low Quality Materials	4	5.9	5.9
	Limited Materials	25	36.8	36.8
	High prices	8	11.8	11.8
	Other	3	4.4	4.4
	Total	**68**	**100.0**	**100.0**

5.4.3 Perceptions on Infrastructure Services

The concept of infrastructure incorporates all the structures and equipment that favour investment activities. Question eighteen aims to investigate respondents' level of satisfaction in relation to the Libyan infrastructure. In this context, the question aims to find out the infrastructure elements that most affect the development of foreign companies.

Generally speaking, as the results in the following sections indicate, companies were satisfied with the telecommunications service and the different transport services, land, maritime and air. However, they were dissatisfied with other services, such as financial services associated with the banking and insurance companies, as well as other public services, such as water, sewage and disposal of solid waste services, in addition to postal and delivery and electric power services.

5.4.3.1 Perceptions on banking services

The findings in table 5.20 highlight the fact that 75.0% of the international companies were dissatisfied with the banking services and only 7.4% were undecided on this matter. Only 17.6% of the international companies were satisfied

Table 5.20 Perceptions on Banking Service

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	12	17.6	17.6
	Unsure	5	7.4	7.4
	Dissatisfied	51	75.0	75.0
	Total	**68**	**100.0**	**100.0**

5.4.3.2 Perceptions on insurance services

By examining the findings shown in table 5.21, we can conclude that both local and foreign investors appear to be dissatisfied with the services provided by insurance companies in Libya. In this respect 72.1% of all participants were unhappy, while 14.7% were undecided and only 13.2% were happy with the services provided.

Table 5.21 Perceptions on Insurance Service

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	9	13.2	13.2
	Unsure	10	14.7	14.7
	Dissatisfied	49	72.1	72.1
	Total	**68**	**100.0**	**100.0**

5.4.3.3 Perceptions of electric power service

From the findings displayed in table 5.22, 73.5% of participants were dissatisfied and a further 13.2% were undecided about their satisfaction with the electric services provided by the General Electricity Company of Libya. In contrast only 13.2% were satisfied with the provision of electrical services.

Table 5.22 Perceptions on Electric Power Service

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	9	13.2	13.2
	Unsure	9	13.2	13.2
	Dissatisfied	50	73.5	73.5
	Total	**68**	**100.0**	**100.0**

5.4.3.4 Perceptions on water and sewage services

The findings in table 5.23 show that most company representatives are unhappy with the water and sewage provision as 79.4% expressed their dissatisfaction. In addition, 11.8% were undecided on the issue, while only 8.8% expressed their satisfaction.

Table 5.23 Perceptions on Water and Sewage Service

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	6	8.8	8.8
	Unsure	8	11.8	11.8
	Dissatisfied	54	79.4	79.4
	Total	**68**	**100.0**	**100.0**

5.4.3.5 Perceptions on telecommunication services

It can be concluded from table 5.24 that the majority of respondents (70.6%) were happy with the telecommunication services. In contrast 14.7% of participants were unhappy with the services, while another 14.7% were undecided about the service provided by the General Post and Telecommunications Company and other private companies.

Table 5.24 Perceptions on Telecommunication Service

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	48	70.6	70.6
	Unsure	10	14.7	14.7
	Dissatisfied	10	14.7	14.7
	Total	**68**	**100.0**	**100.0**

5.4.3.6 Perceptions on mail services

As can be seen from table 5.25 the majority of investors (75.0%) were dissatisfied with the postal and delivery services. Only 14.7% expressed their satisfaction with the service, while 10.3% were undecided on the matter.

Table 5.25 Perceptions on Postal Service

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	10	14.7	14.7
	Unsure	7	10.3	10.3
	Dissatisfied	51	75.0	75.0
	Total	**68**	**100.0**	**100.0**

5.4.3.7 Perceptions on land transport services

From table 5.26, the overwhelming majority of participants (76.5%) were supportive of the land transport services in Libya. However, 11.8% expressed their dissatisfaction, and the same number was undecided on the issue.

Table 5.26 Perceptions on Land Transport Service

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	52	76.5	76.5
	Unsure	8	11.8	11.8
	Dissatisfied	8	11.8	11.8
	Total	**68**	**100.0**	**100.0**

5.4.3.8 Perceptions on maritime services

The findings in relation the maritime services in Libya are depicted in table 5.27. The table shows that 75% of the respondents were satisfied with the maritime services. However, 14.7% were unhappy with the service while 10.3% were unsure.

Table 5.27 Perceptions on Maritime Transport Service

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	51	75.0	75.0
	Unsure	7	10.3	10.3
	Dissatisfied	10	14.7	14.7
	Total	**68**	**100.0**	**100.0**

5.4.3.9 Perceptions on the air transport services

As far as the air transport service is concerned, 67.6% of the total participants were satisfied while 20.6% of the total participants were not. In addition, 11.8% remained undecided on the matter.

Table 5.28 Perceptions on Air Transport Service

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	**46**	**67.6**	**67.6**
	Unsure	8	11.8	11.8
	Dissatisfied	14	20.6	20.6
	Total	**68**	**100.0**	**100.0**

5.4.3.10 Perceptions on the solid waste disposal services

The findings in table 5.29 indicate that 61.8% of the respondents were unhappy with the solid waste disposal service while 29.4% were undecided. Only 8.8% were happy with the service which is provided by the private sector.

Table 5.29 Perceptions on Disposal of Solid Waste Service

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	6	8.8	8.8
	Unsure	20	29.4	29.4
	Dissatisfied	42	61.8	61.8
	Total	**68**	**100.0**	**100.0**

5.5 PERCEPTIONS ON THE INVESTMENT CLIMATE

Part of the questionnaire is devoted to dealing with elements of the Libyan investment climate. These elements are sub-divided into three groups with each group incorporating a number of variables relevant to a particular issue. These groups are: the political and social situation; economic and financial concerns; and the administrative conditions.

The first group is related to the political and social situation regarding the stability of public institutions, and the laws and regulations of the general administration including the visa system. The second group deals with economic and financial variables such as the movement of capital from and into the country, and the accounting and auditing system, while the third group deals with administrative matters that affect investment decision-making, including initial application, the procedure, licensing.

5.5.1 Perceptions on Political Variables

The political and social variable featured in question nineteen include the stability of public institutions and the laws and regulation of the public administration system in Libya, including the visa system. It is worth highlighting that, apart from crime rates and the visa system; both local and foreign investors were dissatisfied with the performance of the public institutions and the way the system works.

5.5.1.1 Perceptions on institutional stability

The findings from the primary data in table 5.30 suggest that an overwhelming majority, namely 82.1%, expressed their dissatisfaction with the stability of the public institutions while 7.5% remain undecided. By contrast only 10.4% believed that these institutions are stable.

Table 5.30 Perceptions on Institutional Stability

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	7	10.3	10.4
	Unsure	5	7.4	7.5
	Dissatisfied	55	80.9	82.1
	Total	67	98.5	100.0
	Missing	1	1.5	
	Total	**68**	**100.0**	

5.5.1.2 Perceptions on stability of legislation

Table 5.31 shows the responses of participants regarding the stability of laws and regulations. From the data, it can be concluded that 74.2% of the respondents were unhappy with the system, while 13.6% were undecided. Only 12.1% of participants were happy with the system.

Table 5.31 Perceptions on Stability of Legislation

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	8	11.8	12.1
	Unsure	9	13.2	13.6
	Dissatisfied	49	72.1	74.2
	Total	66	97.1	100.0
	Missing	2	2.9	
	Total	**68**	**100.0**	

5.5.1.3 Perceptions on crime rate

Table 5.32 shows the opinion of the company representatives with respect the crime rates in Libya. As can be seen from the table the majority of respondents (86.8%) had no worries about crime rates in the country, while only 4.4% had concerns.

Table 5.32 Perceptions on Crime Rate

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	59	86.8	86.8
	Unsure	6	8.8	8.8
	Dissatisfied	3	4.4	4.4
	Total	**68**	**100.0**	**100.0**

5.5.1.4 Perceptions on entry and exit visas

The information in table 5.33 shows that 73.5% of all participants were happy with the visa system in Libya. By contrast, only 17.6 % of participants expressed their dissatisfaction with the system, and 8.8 % were undecided.

Table 5.33 Perceptions on Entry and Exit Visas

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	50	73.5	73.5
	Unsure	6	8.8	8.8
	Dissatisfied	12	17.6	17.6
	Total	**68**	**100.0**	**100.0**

5.5.2 Perceptions on Financial Services

The financial and economic variables in this research refer to the ease of movement of capital into and out of the country as well as the reliability of accounting and auditing systems. As can be clearly seen in the following sections, the majority of those involved have not encountered any significant difficulties with regard to the movement of capital into the country. However, for most of them have experienced problems when they move money out of the country as they become subject to the strict rules and regulations of the Libyan auditing and accounting systems.

5.5.2.1 Perceptions on importing capital

Table 5.34 indicates that 72.1% of the investors are happy with the services provided by different financial institutions in terms of importing capital. By contrast only 14.7% of the participants were unhappy with the services and 13.2% were undecided on the matter.

Table 5.34 Perceptions on Importing Capital

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	49	72.1	72.1
	Unsure	9	13.2	13.2
	Dissatisfied	10	14.7	14.7
	Total	**68**	**100.0**	**100.0**

5.5.2.2 Perceptions on exporting funds

In complete contrast to the previous conclusion, the findings highlighted in table 5.35 indicate that an overwhelming majority (80.9%) of participants were not happy with the procedures for taking money out of the country. It is important to note that only 11.8% were happy with the service and rules, while 7.4% were undecided on the matter.

Table 5.35 Perceptions on Exporting Funds

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	8	11.8	11.8
	Unsure	5	7.4	7.4
	Dissatisfied	55	80.9	80.9
	Total	**68**	**100.0**	**100.0**

5.5.2.3 Perceptions on accounting services

As can be seen from table 5.36 the majority of those who took part in the survey, namely 67.6%, were happy with the accounting services provided in Libya. By contrast 22.1% were unhappy with the service, while around 10.3 % were undecided.

Table 5.36 Perceptions on Accounting System

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	46	67.6	67.6
	Unsure	7	10.3	10.3
	Dissatisfied	15	22.1	22.1
	Total	**68**	**100.0**	**100.0**

5.5.2.4 Perceptions on audit system

Table 5.37 demonstrates that 75.0% of the representatives were dissatisfied with the poor auditing standards in Libya, while another 11.8% were undecided about the system. Only 13.2% expressed their satisfaction with the auditing system in Libya.

Table 5.37 Perceptions on Audit System

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	9	13.2	13.2
	Unsure	8	11.8	11.8
	Dissatisfied	51	75.0	75.0
	Total	**68**	**100.0**	**100.0**

5.5.3 Perceptions on Administrative Variables

Question twenty-one of the questionnaire incorporates two main variables which are concerned with the initial application and the application procedure. Question twenty-two deals with the time taken to gain the necessary licence.

As can be seen in the following sections, the majority of participants complained about the large number of documents that have to be presented by potential investors, as well as the way in which applications are dealt. Those complaints were justified by the fact that the average time for licensing was 2.8971 months, which meant licensing took between two to three months.

5.5.3.1 Initial application

It is clear from the findings presented in table 5.38 that 75% of the respondents were unhappy about the large number of documents that they have to present to support their applications, while 8.8% were undecided about the matter. In contrast only 16.2% were satisfied with the initial application.

Table 5.38 Perceptions on Initial Application

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	11	16.2	16.2
	Unsure	6	8.8	8.8
	Dissatisfied	51	75.0	75.0
	Total	**68**	**100.0**	**100.0**

5.5.3.2 Perceptions on application procedure

Table 5.39 illustrates the level of satisfaction of investors in relation to the way in which their applications were dealt. 79.4% of participants were unhappy with the application procedure, while 4.4% were undecided. However, 16.2% were happy with the way in which their applications were dealt.

Table 5.39 Perceptions on Application Procedures

		Frequency	Percentage	Valid Percentage
Perception	**Satisfied**	11	16.2	16.2
	Unsure	3	4.4	4.4
	Dissatisfied	54	79.4	79.4
	Total	**68**	**100.0**	**100.0**

5.5.3.3 Approval time

The data in table 5.40 shows that only 11.8% of investors obtained their licenses in less than one month, while for 32.4% of them, it took between one month and less than two months. Furthermore, 19.1% obtained their licences within a period ranging between two and less than three months, 27.9 % between three and four months and for 8.8 % it took four months or more.

Table 5.40 Approval Time

		Frequency	Percentage	Valid Percentage
Time	**Less than 1 month**	8	11.8	11.8
	1-Less than 2 months	22	32.4	32.4
	2-Less than 3 months	13	19.1	19.1
	3-Less than 4 months	19	27.9	27.9
	4 months or more	6	8.8	8.8
	Total	**68**	**100.0**	**100.0**

5.6 PERCEPTIONS ON GUARANTEES AND PROPOSED SUGGESTIONS

One of the sections of the questionnaire refers to guarantees, obstacles in the Libyan business environment and suggestions as to preferred proposals for solutions for improving the environment in order to attract further FDI. In this context, question twenty-three concerned with the guarantees provided while twenty-four deals with the obstacles that face investors. The representatives had to choose one from given options in terms of main obstacles facing them in the Libyan business environment. Furthermore, question twenty-five deals with a number of proposed policies which could be implemented to improve the Libyan business environment.

The findings show that the majority of those involved are unhappy with a number of the legal guarantees such as land ownership and nationalisation. However, most are satisfied with tax exemptions and the transfer of profits out of the country

It can be seen from the results of the survey that most international and local investors face some difficulties. As the results in the previous section indicate, bureaucratic procedures come at the top of the list followed by legal obstacles, with financial obstacles coming at the bottom of the list.

As far as investors are concerned proposed policies vary in potential significance. They suggest that simplifying administrative procedures, improving human resources and the infrastructure and establishing more industrial free zones should have top priority. Furthermore, the allocation of land for investment purposes within the framework of an investment map is paramount. Lowering the level capital required to be invested is given the lowest priority by investors.

5.6.1 Perceptions on Legal Guarantees

A number of legal guarantees were explored in question twenty-three of the questionnaire. These guarantees are concern land ownership, immunity against nationalisation, tax exemptions and transfer of profits abroad.

5.6.1.1 Perceptions on land ownership

From the data displayed in table 5.41 it can be concluded that 67.6 % of the company representatives were not happy with the guarantees given by the law with respect to land ownership, while 10.3 % were undecided on the matter. This left only 22.1% happy with the legal guarantees in relation to land ownership.

Table 5.41 Perceptions on Land Ownership

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	15	22.1	22.1
	Unsure	7	10.3	10.3
	Dissatisfied	46	67.6	67.6
	Total	**68**	**100.0**	**100.0**

5.6.1.2 Perceptions on nationalisation

As the findings in table 5.42 indicate 59.7% of participants were not happy with the guarantees in relation to the potential nationalisation of their companies, while 16.4% remained undecided. Thus only 23.9 % of the participants expressed their satisfaction with the situation.

Table 5.42 Perceptions on Nationalisation

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	16	23.5	23.9
	Unsure	11	16.2	16.4
	Dissatisfied	40	58.8	59.7
	Total	67	98.5	100.0
	Missing	1	1.5	
	Total	**68**	**100.0**	

5.6.1.3 Perceptions on tax exemption

It can be understood from table 5.43 that an overwhelming majority (82.4%) of participants expressed their satisfaction with level of tax exemptions. In contrast only 11.8% were unhappy while 5.9% of were undecided about the issue.

Table 5.43 Perceptions on Tax Exemptions

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	56	82.4	82.4
	Unsure	4	5.9	5.9
	Dissatisfied	8	11.8	11.8
	Total	**68**	**100.0**	**100.0**

5.6.1.4 Perceptions on transferring of profits

Table 5.44 highlights that 56.1% of respondents were happy with the guarantees for transferring profits abroad. By contrast the remainder were either unhappy (18.2%) or were undecided (25.8%).

Table 5.44 Transfer of Profits

		Frequency	Percentage	Valid Percentage
Perception	Satisfied	37	54.4	56.1
	Unsure	17	25.0	25.8
	Dissatisfied	12	17.6	18.2
	Total	66	97.1	100.0
	Missing	2	2.9	
	Total	**68**	**100.0**	

5.6.2 Perceptions of Business Obstacles

Table 5.45 summarises the obstacles that disrupt the development of foreign companies. 58.8% of participants have had to deal with administrative barriers, while 25.0% have had to deal with legal barriers and 5.9% have had to deal with financial barriers.

Table 5.45 Perceptions on Business Obstacles

		Frequency	Percentage	Valid Percentage
Obstacle	None	5	7.4	7.4
	Legal problems	17	25.0	25.0
	Financial difficulties	4	5.9	5.9
	Bureaucratic procedures	40	58.8	58.8
	Other	2	2.9	2.9
	Total	**68**	**100.0**	**100.0**

It is worth mentioning that only 2.9% of the participants referred to problems associated with registering a suitable plot of land for improving their projects while only 7.4% appear to have not faced any significant barriers regarding their investment projects.

5.6.3 Perceptions on Proposed Policies

The last question of the questionnaire is concerned with a number of proposed policies. These policies favour the improvement of the investment environment and the attraction of more FDI into the country.

5.6.3.1 Perceptions on establishment of industrial free zones

According to the findings presented in table 5.46, 76.1% of the participants are of the opinion that establishing industrial free zones would tend to catalyse the process of attracting FDI inflows. In addition, 20.9% believe that such a policy would be of fairly helpful to the process. Only 3.0% of the participants thought that such a policy would not be of any benefit.

Table 5.46 Perceptions on Establishment of Industrial Free Zones

		Frequency	Percentage	Valid Percentage
Perception	Not helpful	2	2.9	3.0
	Fairly helpful	14	20.6	20.9
	Helpful	51	75.0	76.1
	Total	67	98.5	100.0
	Missing	1	1.5	
	Total	**68**	**100.0**	

5.6.3.2 Perceptions on reducing the ceiling of investment capital required

From the findings presented in table 5.47, it can be seen that only 16.2% of respondents believe that lowering the capital required would be a helpful policy, while 54.4% believe that such a policy could useful to some extent. In contrast, 29.4% believed that lowering the minimum level of capital required would not prove to be a benefit.

Table 5.47 Perceptions on Reducing the Ceiling of Investment Capital Required

		Frequency	Percentage	Valid Percentage
Perception	Not helpful	20	29.4	29.4
	Fairly helpful	37	54.4	54.4
	Helpful	11	16.2	16.2
	Total	**68**	**100.0**	**100.0**

5.6.3.3 Perceptions on simplifying administrative procedures

It appears from the findings presented in table 5.48 that an overwhelming majority of the participants (91.2%) are of the opinion that rendering the administrative procedures simpler would provide a significant boost to FDI inflows. Moreover, 4.4% thought that simplifying administrative procedures through minimising the number of documents required or speeding up the process of dealing with applications could to some extent benefit the situation. Only one participant believed that such policies would not be helpful in attracting more FDI.

Table 5.48 Perceptions on Simplifying Administrative Procedures

		Frequency	Percentage	Valid Percentage
Perception	Not helpful	1	1.5	1.5
	Fairly helpful	5	7.4	7.4
	Helpful	62	91.2	91.2
	Total	**68**	**100.0**	**100.0**

5.6.3.4 Perceptions on allocation of land

The findings from the primary data displayed in table 5.49 show that 61.8% of the participants are of the opinion that improving the land policy would be very encouraging for investors, and that 22.1% of the investors believe that it would helpful to some extent. Only 16.2% believed that changing the land policy would not encourage more investment into the country.

Table 5.49 Perceptions on Allocation of Land

		Frequency	Percentage	Valid Percentage
Perception	Not helpful	11	16.2	16.2
	Fairly helpful	15	22.1	22.1
	Helpful	42	61.8	61.8
	Total	**68**	**100.0**	**100.0**

5.6.3.5 Perceptions on improving the infrastructure

As the findings presented in table 5.50 show 77.6% of the participants are of the opinion that improving elements of the infrastructure would be helpful to attracting further inflows of FDI, while 19.4% believe that such policies would be to some extent helpful. Only a small minority (3.0%) believed that such policies would not make any difference with regard to the flow of FDI into the country.

Table 5.50 Perceptions on Improving the Infrastructure

		Frequency	Percentage	Valid Percentage
Perception	Not helpful	2	2.9	3.0
	Fairly helpful	13	19.1	19.4
	Helpful	52	76.5	77.6
	Total	67	98.5	100.0
	Missing	1	1.5	
	Total	**68**	**100.0**	

5.6.3.6 Perceptions on providing business maps

Table 5.51 highlights that 59.1% of representatives believed that providing business maps would be helpful, while 33.3% believed that they are useful to a certain extent helpful. Only 7.6% of respondents believed that such maps would have no effect on the flow of FDI into the Libyan economy.

Table 5.51 Perceptions on Providing Business Maps

		Frequency	Percentage	Valid Percentage
Perception	**Not helpful**	5	7.4	7.6
	Fairly helpful	22	32.4	33.3
	Helpful	39	57.4	59.1
	Total	66	97.1	100.0
	Missing	2	2.9	
	Total	**68**	**100.0**	

5.6.3.7 Perceptions on improving human resources

As demonstrated in table 5.52, 77.9% of the participants believed that focussing attention on human resources would attract more FDI into the country, while 20.6% of the participants believe that such a policy would be fairly helpful. Only a small minority (1.5%) believed that such a policy would not make any difference.

Table 5.52 Perceptions on Improving Human Resources

		Frequency	Percentage	Valid Percentage
Perception	**Not helpful**	1	1.5	1.5
	Fairly helpful	14	20.6	20.6
	Helpful	53	77.9	77.9
	Total	**68**	**100.0**	**100.0**

5.7 PERCEPTIONS OF SENIOR LIBYAN OFFICIALS

For the purpose of this research the researcher utilised the structured interview method in support of the findings from the questionnaire. The main purpose of the questionnaire was to establish the perceptions of investors regarding the Libyan business environment in relation to FDI by investigating various variables, as the demand side of the equation. In order to discover the official view, which is the supply side, an interview schedule was conducted with Libyan officials dealing with FDI issues from mid-February to mid-March 2009. Interviews were held with seven senior officials, six of whom were employed by the LIB and the seventh was the former secretary of the People's General Committee for Economic and Trade

The following section provides the textual analysis of the interviews by referring to five main aspects.

5.7.1 The Shortcomings of Economic Development

Senior officials associated with the process of FDI confirm that a number of economy-related as well as other non-economy related elements should be available

to assist with economic development in Libya. However, in the opinion of the interviewees the most challenging issue is finding a replacement for oil as the backbone of the economy. Thus, diversifying the economy away from oil dependence is considered to be an important policy. In this context, officials believe that investing in local resources to boost productivity in both commodities and services would alleviate the pressure on government resources by cutting down its expenditure on economic activities, leading to a dynamic economy based on the free market. In turn, this would provide more opportunities for employment which would eventually increase the rate of productivity of individuals.

However, one of the interviewees referring to:

> the shortcomings of economic development in Libya emphasised that training the appropriate managerial cadres should be paramount in order to make use of the potential know-how associated with foreign investment (Shernanna, 2009).

In this context, the more technical know-how in the economy the more the need for honing the skills of the labour force both at the administrative and technical levels; this is particularly important for the more demanding mega-projects. A shortage of experience is the main feature of local human resources as the workforce has had very little contact with multinational companies which make use of more advanced methods in areas of production and marketing.

Another interviewee highlighted the fact that the process of economic development needs to focus more on the use of local natural raw materials to increase production. The interviewee stated that:

> before coming to that stage the economic resources available for use should be accurately defined and plans should introduced to achieve its sustainability on the one hand and regional development on the other hand, particularly in rural areas where these resources are normally available (Alaroush, 2009).

Another interviewee suggested that:

> the development and completion of infrastructure facilities should be an urgent matter. The most important element should be the availability of a powerful database relating to the different economic activities. The organisation of this information would help in the success of economic feasibility studies (Guthour, 2009).

Yet another interviewee argued that "the local private sector alone could not provide an alternative to the oil revenues as the main driver for economic development" (Alsharoon, 2009). He went on to speculate that"the private sector

cannot achieve the anticipated success for many reasons, including the lack of: advanced technology; a professional managerial approach; skilled labour; and adequate capital" (Alsharoon, 2009).

5.7.2 Perceptions on the Role of FDI in Economic Development

The senior officials who were interviewed highlighted the significant role of the FDI in providing some or the bulk of the resources which are not available domestically, in order that balanced and sustainable economic development can be achieved in Libya. In this context, one of the interviewees stated that:

> the FDI companies in Libya, particularly in sectors such as the food industry and construction materials, could make significant contributions to increasing the local productivity in favour of self-sufficiency (alahrash, 2009).

It is important to note that FDI has made a significant contribution to the creation of jobs given that by the end of 2008 foreign and joint companies employed more than 7,000 of the local workforce.

Thus, foreign companies are putting considerable efforts into cutting down the levels of unemployment in the country, which constitutes one of the major problems facing the Libyan economy. Moreover, FDI also provide extra investment in the real productive sectors as the total capital of foreign and joint-owned companies amounts to LD5.7bn. This role per se should favour the public sector regarding the funding of private investment projects.

One of the interviewees referred to the important role of FDI in the transfer of advanced technology into the country. He stated that:

> "among the most successful examples are the agricultural projects allocated to foreign investment whereby productivity of wheat per hectare has increased significantly due to the application of modern advanced techniques" (Alahrash, 2009).

Furthermore, FDI companies have made a significant contribution in the development of rural areas as in the case of the Tarhoona agricultural project where modern techniques have been promoted among farmers with the active funding of the Agricultural Bank which provides farmers with cheap loans.

Finally, the interviewees believe that FDI in Libya has led to raising the efficiency of human resources through training in new techniques and will definitely result in the emergence of a suitable environment for creativity and productivity both

qualitatively and quantitatively. For example, the emergence of foreign companies has made the economy open to market competition. Thus, local and foreign investors, including the public sector, have to plan their resources in the context of a competitive market open to international capital.

5.7.3 Perceptions on the General Strategy for Attracting FDI

The interviewees confirm that no formal written strategy was available from the government in relation to various aspects of FDI. However, the law for the promotion of investment of foreign capital in Libya has defined the areas available for investment activities. These include all sectors apart from the oil and gas sectors, contracting and trading activities. Therefore, the law has opened the door for investment from all nationalities and all companies no matter the size of the company, as long as those companies meet the minimum capital requirements of LD5m in the case of independent foreign investment or LD2m in the case of joint local and foreign companies.

However, one of the interviewees argued that:

> FDI featuring food security programmes and which is associated with regional development as well as imported technology-based foreign projects and those which contribute to the development of local products have tax and fees exemptions for specific periods of time. In addition, a general tendency exists for encouraging partnership between foreign and local investors, to the effect of facilitating the establishment of such projects (Alsharoon, 2009).

Another interviewee referred to:

> the general trend during the last six years (2003-2008) focusing on the encouragement of investment with regard to the food industry, construction materials and health services, given the shortages in the supplies of these commodities and services in the Libyan market (Guthoor, 2009).

Yet another interviewee was of the opinion that:

> the adoption of the one-window policy coupled with the simplification of procedures for dealing with FDI projects, improving the coordination between the different authorities and institutions in relation to foreign investment, and allocating of well planned investment sites should constitute the essence of strategies for attracting more FDI into the country (Algernazi, 2009).

5.7.4 The Difficulties Facing the GPCs of Strategy Implementation

All those who were interviewed confirmed that many obstacles face the public administration in relation to the implementation of its strategy to attract more FDI. For example, one interviewee referred to:

> the establishment of the one-window policy as a main challenge as it implies coordination between a number of the Libyan authorities and institutions on many aspects, particularly those associated with taxation, customs, and electricity and water services (Guthoor, 2009).

In his opinion:

> the main characteristic of the government bodies is their lack of coordination, not only with respect to the one-window policy but also with regard to the establishment of the investment scheme. In this context a number of the counties (shabiat) have yet to provide the LIB with their plans in relation to the specialised industrial areas; indeed these plans are non-existent in the majority of counties. This implies that allocation of such areas for foreign investors will be a difficult task despite the recent establishment of the General Board for Industrial Areas (Guthoor, 2009).

Another interviewee believes that "the lack of an investment scheme implies that it will be difficult for investors to be allocated suitable sites for their projects, particularly in rural areas" (Aroush, 2009).

However, another interviewee argued that:

> the poor cooperation between most of the counties and the LIB in relation to the investment scheme could be due to the fact that the county authorities lack the knowledge in relation to the law for promotion of investment of foreign capital in Libya, given that the policies of attracting FDI into the non-oil economic sectors is relatively new (Guthoor, 2009).

He added that "it would probably be some time before for these policies are understood by parties dealing with public administration in Libya" (Guthoor, 2009). In addition, one interviewee placed "the blame on the media campaign undertaken by the LIB to promote this matter describing it as not 'fully focused' and not up to standard as it was random and poor in substance" (Al-Aroush, 2009).

He also criticised the Board's independence from the People's General Committee as:

> causing many difficulties. The most important of these is that licensing takes longer than necessary as procedures are passed from the Board to the GPC through the GPC for Economics, Trade and Investment (Al-Aroush, 2009).

Whereas another believes that:

> the LIB, like all public institutions in Libya, suffers from poor legislation as well as the continual structural changes that face all public institutions in Libya pointing out that "we are not quite certain that the LIB will survive the restructuring associated with the new state"(Al-Zawi, 2009)

Another interviewee argued that:

> one of the most challenging difficulties facing the strategies associated with the attraction of FDI into Libya is the speeding up of procedures at the expense of the administrative routine and the training of government cadres to cope with the requirements of foreign investors (Shernanna, 2009).

5.7.5 Evaluation of the Experiment of FDI from 2003 to 2008

The officials who were interviewed emphasised that the FDI experiment between 2003 and 2008 can be described as successful by all standards. Thus, despite the short period, the LIB has endeavoured to attract a great deal of FDI into all economic sectors. This stage witnessed significant interest from foreign investors of all nationalities. According to one of the interviewees:

> in the framework of the policies associated with the FDI the future of the Libyan economy will be promising provided that all difficulties that have faced investors and the general administration in Libya previously are spotted and sorted out (Guthoor, 2009).

Similarly, another interviewee argues that "the previous period proved that Libya was a pristine economy rich in natural resources but poor in relation to foreign resources in the agricultural, industrial and service sectors" (Shernanna, 2009).

5.8 SUMMARY

It can be concluded from the results of the survey that most representatives appear to be satisfied, although at varying levels, with the quality and availability of economic resources in the Libyan economy. However, it is also true that many of the respondents faced difficulties in relation to using those resources.

It can be also summarised from the results that most international and local investors face some difficulties in the Libyan investment climate. As the results indicate, bureaucratic procedures were the most problematic followed by legal obstacles, with financial obstacles coming last.

The findings show that the majority of those involved are unhappy with a number of the legal guarantees such as land ownership and nationalisation. However, most are satisfied with tax exemptions and the transfer of profits out of the country. The results also indicate that investors concerns about proposed policies to improve the inwards flow of FDI vary. They suggest that simplifying administrative procedures, improving human resources and the infrastructure and establishing more industrial free zones should have top priority. Furthermore, the allocation of land for investment purposes within the framework of an investment map is paramount.

Lowering the level capital required to be invested is given the lowest priority by investors. Table 5.53 provides a summary of the structured interview results through the coding method.

Table 5.53 Summary of Structured Interview Results

Issue	Coded Response
Shortcomings of Economic Development in Libya	Most importantly the need for advanced technical know-how, professional management, skilled labour and capital. In addition effective planning, coordination between the various general administrations' bodies involved in the process of planning the availability of economic resources by defining the shortcomings of economic development and the market requirements with regard to the different economic activities, hence organising the market and setting the stage for competition.
The Role of FDI in Making up for the Shortcomings of Economic Development	This role should be significant with regard to uncovering the shortages in economic resources in order to pave the way for balanced and sustainable economic development in Libya focusing on the investment of natural resources, the employment of local workforce, the establishment of new technologies, increasing investment capital, and setting the stage for a more competitive environment.
Features of the General Strategy for Attracting FDI	A formal written strategy is non-existent, but the law of foreign capital investment defines what can be described as a general framework of this strategy. This general framework is primarily based on the principle of encouraging partnerships between local and foreign investors, attracting modern technology into the country, training of the local workforce, diversification of the economy, developing local products, and achieving regional development. In addition, the law allows investment in all sectors apart from the oil and gas sectors, and the trade and contracting sector, setting the minimum capital required, and opening the door to all nationalities.
Difficulties Facing the Public Administration	At the top of the list is administrative stability, speeding up procedures. Also, improving the performance of the public sector, and coordination between the general administrations' bodies in relation to investment and the allocation of land. In addition, the position of the LIB within the government structure and its incomplete headquarters has caused many problems.
Evaluation of the Experiment of FDI in Libya	All participants have confirmed that despite the experiment being a recent one, it should be considered a success by all standards. The only requirement is a close examination of the difficulties and obstacles disrupting the investment environment, and finding successful solutions, in addition to activating the present strengths of the Libyan investment environment.

CHAPTER SIX
EVALUATING LIBYAN ECONOMIC RESOURCES IN RELATION TO FDI THROUGH PERCEPTION ANALYSIS

6.1 INTRODUCTION

Interpreting results is the essence of any scientific research. This is simply because interpretation of the results will eventually lead to establishing the factors that affect the phenomenon under investigation as well as the ways in which these factors are interrelated. In this regard this chapter focuses on the interpretation of the data acquired from the survey featuring foreign and joint companies that are registered with the LIB operating in each of the economic sectors apart from oil and gas. In addition descriptive statistics methods such as cross-tabulation KOM, factor analysis and Chi-square of goodness of fit are employed by using SPSS.

In this context a number of independent variables were selected. These variables are considered to help the understanding of the other dependent variables in relation to the level of satisfaction of foreign and local investors in relation to the economic resources in Libya. Four independent variables are used: company; economic sector; location; and business experience in Libya. Furthermore, the questionnaire included 17 dependent variables in relation to human, natural, and manufactured resources.

It is important to note the use of the four independent variables implies a hypothetical relationship between the variables. For example, by assuming that the difficulties associated with human resources differ from one economic sector to another, the impact of the independent variable on the dependent one becomes obvious. In other words, the investigation of such a relationship should provide an answer to the question in relation to the level of satisfaction of foreign and local investors in a specific economic sector and whether the target companies face any difficulties in using the available local human resources in this specific sector which are not apparent in other economic sectors.

The analysis presented is based on the perceptions of the participants of the questionnaire that was used to gather the primary data. This chapter includes three major sections apart from the introduction and summary. The second section discusses the obstacles in relation to human resources such as language skills, technological know-how, and team-work skills. Section three discusses the obstacles associated with natural resources in terms of quality, market availability and price. Finally, section four deals with the obstacles associated with the Libyan infrastructure featuring ten elements which constitute the basic requirements for most companies to operate.

6.2 OBSTACLES REGARDING HUMAN RESOURCES

This section discusses the obstacles in relation to human resources through the perception of the participants which they articulated in the questionnaire. Two independent variables are used: the economic sector in which the company operates; and the company's business experience in Libya in order to gauge the change in difficulties with respect to time. In other words, the length of business experience assists the researcher in establishing if the difficulties facing companies become more or less severe over time.

Chi-square of goodness of fit was also employed to determine whether or not the observed frequencies are different from what we would expect to find. In relation to perceptions on local human resources, it is assumed that:

The null hypothesis is: there are approximately equal numbers of cases in each group, and the alternate hypothesis is: there are not equal numbers of cases in each group. It should be noted that as the degrees of freedom is small (either 1 or 2), the results are indicative only and not definitive.

Table 6.1 Chi-Square of Goodness of Fit for Local Human Resource Variables

	Language Skill	Technical Knowledge	Teamwork	Difficulties in Relation to Human Resources
Chi-Square(a,b)	36.029	46.441	27.912	13.294
Df	2	2	2	3
Asymp. Sig.	0.000	0.000	0.000	0.004

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.7.

b 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 17.0.

It can be seen from table 6.1 that the chi-square value for the language skill factor is 36.029, for technical knowledge is 46.441, for team work is 27.912 on four degrees of freedom. Furthermore, the chi-square value for difficulties with regard to human sources is 13.294 on three degrees of freedom. The P value for the first three factors is 0.000, and 0.004 for the last factor. Because the observed P value was less than alpha (alpha = 0.05), the results were considered statistically significant for all factors of the local human sources, which should mean that there are not equal numbers of cases in each group, which may require the cells of a contingency table to be interpreted by using cross-tabulation tables.

It was concluded in chapter five that the difficulty associated with the import of foreign labour comes at the top of the list of human sources obstacles. This is followed by the lack of local skilled labour and then the restrictions imposed by the authorities in relation to the employment of foreign labour. When these findings are related to the consideration of cross-tabulation results in the proceeding section, it becomes obvious that the international companies face difficulties in relation to the import of foreign labour, coupled with difficulties associated with the availability of local skilled labour. In this regard, companies operating in the service and manufacturing sectors suffer the most, while their counterparts operating in the agricultural sector suffer the least.

However, concerning the skills and know-how acquired by the local human resources in terms of language, technological know-how and team-work skills most international companies seem to be in a stronger situation, particularly those operating in the agricultural sector. Nonetheless, international companies operating in the service sector are the weakest in relation to technological know-how and team-work skills, while those operating in the manufacturing sector suffer from a lack of foreign language skills.

Table 6.2 shows the opinions of investors with respect to the difficulties associated with employing skilled labour according to the different economic sectors. In the manufacturing sector 37.8% of the companies' respondents refer to difficulties involving the import of skilled labour from abroad, while 29.7% do not refer to any difficulties in importing such labour as compared to 21.6% who refer to difficulties associated with the availability of local skilled labour. However, the laws and

regulations restricting the numbers to be employed from local labour seem to cause inconvenience to 10.8% of the respondents.

As far as the service sector is concerned, it could be concluded that half of the investors from this sector find difficulties in importing foreign labour as required by their investment, whereas a quarter of them find difficulties in obtaining local skilled labour as compared to 17.9% who have not found any difficulties in using the local human resources and 7.1% who are dissatisfied with laws that make it incumbent on them to provide jobs for a specific number from the unemployed local workforce.

However, concerning the agricultural sector, it appears that two thirds of the participants from this sector have not faced any difficulties of significant importance with regard to the use of the available human resource. But as yet one third of the participants from this sector have expressed their resentment at the laws and regulations that make the employment of local workforce a compelling duty for them.

Table 6.2 Cross Tabulation of Company Sector and Difficulties in Relation to Human Resources

			Difficulties with Regard to Human Resources				Total
			None	Importing foreign labour	Legal requirement for local employment	Scarcity of skilled labour	
Sector	Manufacturing	Number	11	14	4	8	37
		%	29.7%	37.8%	10.8%	21.6%	100.0%
	Services	Number	5	14	2	7	28
		%	17.9%	50.0%	7.1%	25.0%	100.0%
	Agriculture	Number	2	0	1	0	3
		%	66.7%	0.0%	33.3%	0.0%	100.0%
Total		**Number**	**18**	**28**	**7**	**15**	**68**
		%	**26.5%**	**41.2%**	**10.3%**	**22.1%**	**100.0%**

Concerning the relative difficulties involved, it is obvious from table 6.2 that the main concern of the service and manufacturing sectors is the import of foreign labour, as indicated by 50.0% of service sector respondents and 37.8% of manufacturing respondents. The lack of a skilled work force comes in second place, according to one quarter of service sector respondents and 21.6% of manufacturing sector respondents. Legal difficulties come at the bottom of the list, particularly the laws that make it a legal requirement for companies to employ local labour: 10.8% and 7.1% of the respondents from the manufacturing and the service companies respectively. In contrast in the agricultural sector the most severe problems are those associated with the employment of the local workforce; one third of the respondents

expressed their dissatisfaction with the laws which make it an obligation to employ a minimum number of local employees.

Furthermore, the agricultural sector suffers the least overall with two-thirds of the agricultural respondents indicating no problems in relation to the use of human resources. The manufacturing sector comes in second place (29.7%) and service sector at the bottom (17.9%).

6.2.1 Languages Skills Problems

Table 6.3 indicates the level of satisfaction of company respondents in relation to the language skills of the human resources in Libya featuring the economic sector in which the relevant companies operate. This relationship is investigated because language skills constitute an important factor in communication between foreign and local investors.

Table 6.3 Cross Tabulation of Company Sector and Language Skills

			Language Knowledge			
			Satisfied	Not sure	Dissatisfied	Total
Sector	Manufacturing	Number	23	5	9	37
		%	62.2%	13.5%	24.3%	100.0%
	Services	Number	20	6	2	28
		%	71.4%	21.4%	7.1%	100.0%
	Agriculture	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**46**	**11**	**11**	**68**
		%	**67.6%**	**16.2%**	**16.2%**	**100.0%**

As the findings depicted in table 6.3 shows the majority of the respondents in each of the three sectors express their satisfaction with the level of language skills. The companies operating in the agricultural sector come at the top of the list with all of the respondents expressing their satisfaction as compared with service and manufacturing companies with 71.4% and 62.2% respectively.

It can be seen from the table 6.3 that the manufacturing companies are the least fortunate in this area with 24.3% the respondents showing their dissatisfaction as compared to 7.1% of the service company respondents.

6.2.2 Technical Knowledge Related Issues

Table 6.4 shows the level of satisfaction of respondents in each of three sectors with the level of technical know-how as an essential component of the production process.

Table 6.4 Cross Tabulation of Company Sector and Technical Knowledge

			Technical Knowledge			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Sector	**Manufacturing**	Number	29	2	6	37
		%	78.4%	5.4%	16.2%	100.0%
	Services	Number	18	4	6	28
		%	64.3%	14.3%	21.4%	100.0%
	Agriculture	Number	2	1	0	3
		%	66.7%	33.3%	0.0%	100.0%
Total		**Number**	**49**	**7**	**12**	**68**
		%	**72.1%**	**10.3%**	**17.6%**	**100.0%**

From the results highlighted in table 6.4 it can be argued as a general rule that most the company respondents have expressed their satisfaction with the level of technical knowledge shown by the local labour. In this respect, the level of satisfaction increases as technical knowledge becomes more vital for the relevant sector, as indicated by the ratios of 78.4%, 66.7% and 64.3% for the manufacturing, agricultural and the service companies respectively.

6.2.3 Team Working Problems

Table 6.5 depicts the opinion of the foreign and joint company respondents operating in each of the three sectors in relation to their level of satisfaction with the team-work skills shown by the local labour.

Table 6.5 Cross Tabulation of Company Business Activity and Team Work

			Team Work			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Sector	**Manufacturing**	Number	24	5	8	37
		%	64.9%	13.5%	21.6%	100.0%
	Services	Number	16	5	7	28
		%	57.1%	17.9%	25.0%	100.0%
	Agriculture	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**43**	**10**	**15**	**68**
		%	**63.2%**	**14.7%**	**22.1%**	**100.0%**

From the information shown in table 6.5, it is obvious that most of the company respondents in the three sectors are satisfied with these skills with 100%

satisfaction expressed by respondents from the agricultural sector, 64.9% for the manufacturing sector and 57.1% for the service sector.

6.3 OBSTACLES REGARDING NATURAL RESOURCES

This section discusses the obstacles in relation to natural resources as perceived by the representatives of the companies that participated in the research. These obstacles are analysed according to the economic sector in which each company operates, the geographic location of the company and the business experience of the company in Libya as three independent variables.

Chi-square of goodness of fit was employed to determine whether or not the observed frequencies are different from what we would expect to find.

Table 6.6 Chi- Square of Goodness of Fit for Natural Resources Variables

	Dependency on Local Natural Resources	Difficulties in relation to Natural Resources
Chi-Square(a,b)	3.765	42.147
Df	1	4
Asymp. Sig.	0.052	0.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 34.0.

b 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 13.6.

As can be seen from table 6.6, the chi-square value for availability of natural resources is 3.765 on one degree of freedom, and 42.147 for difficulties in relation to natural resources on four degrees of freedom. On the other hand, the P value is 0.052 for availability of natural resources, and 0.000 for the last factor. Since, the observed P value is less than alpha (alpha = 0.05), the results were considered statistically significant. However, in order to give further meaning to the findings cross-tabulation is utilised.

As we have seen in chapter five a number of difficulties exist regarding the use of natural resources by foreign and joint companies operating in Libya. At the top of the list of difficulties is the fact that the natural resources are extremely scarce which makes the cost prohibitive as well poor quality in some cases. According to the cross-tabulation results in the proceeding section, the manufacturing companies in the various counties (*shabiat*) are the most affected and the situation becomes worse with time. Nonetheless, service companies, particularly those operating within the Benghazi region suffer most from high prices and marketing problems. Manufacturing

companies, particularly those operating within the neighbouring counties of Tripoli and Al-Jfara, suffer from the low quality of natural resources.

6.3.1 Difficulties in Relation to Natural Resources

Table 6.7 indicates the relationship between the each of the three sectors and the type of difficulties that face companies in relation to natural resources. The representatives had to choose one from given options in terms of main obstacles facing them in relation to use the local natural resources.

From the table, it is apparent that the scarcity of natural resources constitutes a major problem for manufacturing companies in the opinion of 62.2% of the respondents from these companies. The quality of natural resources comes second in the opinion of 10.8% manufacturing respondents, while 2.7% complain about the high cost of the materials.

As far as the service sector is concerned the main problem (21.4%) is the high price of local materials. The inadequacy of material and other marketing problems such as delays from suppliers and lack of communication between suppliers and clients comes in second place (7.1%). In the agricultural sector, one third of the respondents complain from the high prices of the materials, while another third complain about delays made by the suppliers of these materials. Further details can be found in the table.

Table 6.7 Cross Tabulation of Company Sector and Difficulties in Relation to Natural Resources

			Difficulties in relation to Natural Resources					Total
			None	Low Quality of Materials	Scarcity of Materials	High prices	Other	
Sector	Manufacturing	Number	9	4	23	1	0	37
		%	24.3%	10.8%	62.2%	2.7%	0.0%	100.0%
	Services	Number	18	0	2	6	2	28
		%	64.3%	0.0%	7.1%	21.4%	7.1%	100.0%
	Agriculture	Number	1	0	0	1	1	3
		%	33.3%	0.0%	0.0%	33.3%	33.3%	100.0%
Total		**Number**	**28**	**4**	**25**	**8**	**3**	**68**
		%	**41.2%**	**5.9%**	**36.8%**	**11.8%**	**4.4%**	**100.0%**

It can also be concluded from the findings that the service sector is faces less difficulties in relation to natural resources than the other sectors as 64.3% of the

service sector respondents do not refer to any significant problems compared to 33.3% and 24.3% in the agriculture and manufacturing sectors respectively.

From table 6.8 a relationship between the geographic location of the companies and difficulties facing those companies in obtaining the local materials is apparent. From the findings it can be established that that the main problem is the scarcity of these materials in all counties, although with varying severity. For example in Al-Jfara, which borders Tripoli, the problem is more severe as indicated by the opinion of 46.2% of the company representatives, compared with 44.4% for Benghazi and other rural counties, and 27.8% for Tripoli, the commercial capital of the country.

The high cost of local materials and other marketing problems in the second main problem according to respondents, with 22.2% of the company representatives from Benghazi, 15.4% in Al-Jfara, 13.9% in Tripoli and 20.0% in other rural counties.

Table 6.8 Cross Tabulation of Company Location and Difficulties in Relation to Natural Resources

			Difficulties in relation to Natural Resources					
			None	Low Quality of Materials	Scarcity of Materials	High prices	Other	**Total**
Location	**Tripoli**	Number	19	2	10	4	1	36
		%	52.8%	5.6%	27.8%	11.1%	2.8%	100.0%
	Al-Jfara	Number	3	2	6	1	1	13
		%	23.1%	15.4%	46.2%	7.7%	7.7%	100.0%
	Benghazi	Number	3	0	4	2	0	9
		%	33.3%	0.0%	44.4%	22.2%	.0%	100.0%
	Other	Number	3	0	5	1	1	10
		%	30.0%	0.0%	50.0%	10.0%	10.0%	100.0%
Total		**Number**	**28**	**4**	**25**	**8**	**3**	**68**
		%	**41.2%**	**5.9%**	**36.8%**	**11.8%**	**4.4%**	**100.0%**

However, it is important to note that 52.8% of the company representatives within Tripoli appear to be happy with the availability of natural resources in terms of quantity and quality, compared with 33.3% in Benghazi, 30.0% in the rural counties and 23.1% in Al-Jfara.

Table 6.9 focuses on the relationship between the length of business experience of foreign and joint companies and the difficulties of obtaining local materials. It is apparent that the scarcity of natural resources is major difficulty which becomes more severe over time: the 27.5% for companies with less than two years experience increases dramatically to 48.0% for the companies with two years to four

years of business experience and peaks at two-thirds for companies with more than four years.

On the other hand, the high cost of local materials becomes less severe with increasing company experience. In this regard, 17.5% of respondents from companies with less than two years business experience consider this a problem, compared with 4.0% for companies with two to four years experience, and no complaints for companies with more than four years of business experience. Likewise only 10.0% of the respondents from companies with relatively less business experience express concerns about the quality of natural resources while those complaints disappear for companies with more business experience.

Table 6.9 Cross Tabulation of Company Duration and Difficulties in Relation to Natural Resources

			Difficulties in relation to Local Natural Resources					Total
			None	Low Quality of Materials	Scarcity of Materials	High prices	Other	
Experience	**Less than 2 years**	Number	16	4	11	7	2	40
		%	40.0%	10.0%	27.5%	17.5%	5.0%	100.0%
	2-4 years	Number	11	0	12	1	1	25
		%	44.0%	0.0%	48.0%	4.0%	4.0%	100.0%
	More than 4 years	Number	1	0	2	0	0	3
		%	33.3%	0.0%	66.7%	0.0%	0.0%	100.0%
Total		**Number**	**28**	**4**	**25**	**8**	**3**	**68**
		%	**41.2%**	**5.9%**	**36.8%**	**11.8%**	**4.4%**	**100.0%**

In contrast to the previous discussion, the findings are very close fin relation to the lack of difficulties associated with natural resources; these range from a high of 44.0% for companies with moderate business experience to a low of 33.3% for companies with more than four years of business experience in Libya.

6.3.2 Dependency on Local Natural Resources

As chapter five demonstrated, half the foreign and joint companies operating in Libya depend on natural resources particularly manufacturing companies and those companies with a longer presence in the country. The use of natural resources is similar regardless of the geographical location of the company. In this regard, table 6.10 shows how the economic sector of the international companies related to their use of the available natural resources through the perceptions of the participants.

From the findings, it could be noted that the manufacturing sector has the strongest dependency with 89.2%, while 33.3% of agriculture sector is dependant and 28.6 % of the service sector.

Table 6.10 Cross Tabulation of Company Sector and Dependency on Local Natural Resources

			Dependency on Local Natural Resources		
			Yes	No	Total
Sector	**Manufacturing**	Number	33	4	37
		%	89.2%	10.8%	100.0%
	Services	Number	8	20	28
		%	28.6%	71.4%	100.0%
	Agriculture	Number	1	2	3
		%	33.3%	66.7%	100.0%
Total		**Number**	**42**	**26**	**68**
		%	**61.8%**	**38.2%**	**100.0%**

Table 6.11 highlights the relationship between the location of the companies and their use of natural resources. From the information in the table, it is apparent that companies operating within Al-Jfara top (76.9%) followed by 70.0% of the companies located in the rural counties, 66.7% from Benghazi, and 52.8% from Tripoli.

Table 6.11 Cross Tabulation of Company Location and Dependency on Local Natural Resources

			Availability of Natural Resources		
			Yes	No	Total
Location	**Tripoli**	Number	19	17	36
		%	52.8%	47.2%	100.0%
	Al-Jfara	Number	10	3	13
		%	76.9%	23.1%	100.0%
	Benghazi	Number	6	3	9
		%	66.7%	33.3%	100.0%
	Other	Number	7	3	10
		%	70.0%	30.0%	100.0%
Total		**Number**	**42**	**26**	**68**
		%	**61.8%**	**38.2%**	**100.0%**

Table 6.12 focuses on problems associated with the use of natural resources and how that relates to the business experience in terms of duration in the country of the relevant companies. All companies with more than four years of business experience in Libya rely on natural resources. However, with less experience the companies are less concerned about relying on natural resources: 62.5% of companies

with less than two years experience and 56.0 % of companies with moderate experience.

Table 6.12 Cross Tabulation of Company Duration and Dependency on Local Natural Resources

			Availability of Natural Resources		Total
			Yes	No	
Experience	**Less than 2 years**	Number	25	15	40
		%	62.5%	37.5%	100.0%
	2-4 years	Number	14	11	25
		%	56.0%	44.0%	100.0%
	More than 4	Number	3	0	3
		%	100.0%	0.0%	100.0%
Total		**Number**	**42**	**26**	**68**
		%	**61.8%**	**38.2%**	**100.0%**

6.4 OBSTACLES IN RELATION TO INFRASTRUCTURE PROVISION

As was concluded in chapter five the respondents from foreign and joint companies expressed their satisfaction with level of infrastructure provision featuring telecommunication, and air, maritime and land transport services. However, most of the participants were dissatisfied with other infrastructure services such as banking and insurance, postal and delivery services, power and water supply and the disposal of solid waste.

Table 6.13 indicates the result of KMO test, and Barlett's tests, which support factor analysis.

Table 6.13 KMO and Bartlett's Test in relation to Infrastructure Services Variables

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.673
Bartlett's Test of Sphericity	**Approx. Chi-Square**	306.866
	Df	45
	Sig.	0.000

From the table shown above, the KMO value is 0.673 (rounded), and Bartlett's test is significant (p=0.000). Therefore it can be said that factor analysis is appropriate for local human resources variables. Based on this assumption, factor analysis is undertaken using Principal Component Analysis (PCA) and Varimax Rotation with Kaiser Normalisation.

Table 6.14 highlights that there are three factors with variable eigenvalue greater than 1.00, i.e. ten factors can be reduced to three factors. Factor one explains

32.011% of the pooled variance, factor two explains 24.077%, and factor three 11.648%. Therefore, the total variance explained is, 67.736% which was not changed after rotation, as it was only the way in which the distribution between the three components was changed.

Table 6.14 Total Variance Explained for Infrastructure Services variables

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	Variance %	Cumulative %	Total	Variance %	Cumulative %	Total	Variance %	Cumulative %
1	3.201	32.011	32.011	3.201	32.011	32.011	3.106	31.061	31.061
2	2.408	24.077	56.088	2.408	24.077	56.088	2.501	25.007	56.068
3	1.165	11.648	67.736	1.165	11.648	67.736	1.167	11.668	67.736
4	0.953	9.535	77.271						
5	0.793	7.931	85.202						
6	0.547	5.467	90.669						
7	0.357	3.571	94.240						
8	0.271	2.714	96.955						
9	0.199	1.986	98.941						
10	0.106	1.059	100.000						

Extraction Method: Principal Component Analysis.

The rotated solution (see table 6.15) reveals the presence of three factors with a number of strong loadings. The interpretation of the three factors is based on the loading of ten variables of these factors.

The results in table 6.15 highlight that all ten variables influencing the level of investors' satisfaction are considered significant. The table also shows the loadings of each item on each factor after they have been rotated. The loadings on factor one are 0.868 for banking service, 0.829 for insurance service, 0.782 for electric power service, 0.700 for water and sewage service, 0.474 for telecommunication service and 0.359 for disposal of solid waste. Therefore, the items grouped under factor one can be described as "undesirable elements". On the other hand, the clustering of variables under component two is: air transport service with 0.852; maritime transport service with 0.845; and land transport service with 0.774. The representatives of foreign and joint companies who have taken part in the survey have expressed their satisfaction with these services. Accordingly, this component can be named as "desirable elements".

In addition, the variable under component three is the postal service. The investors expressed their unhappiness with this service, and therefore, this component can be named as "Postal service obstacle".

Table 6.15 Component Matrix in relation to Infrastructure Services Variables

Variables	Component		
	1	2	3
Banking Service	0.868	-0.211	-0.125
Insurance Service	0.829	-0.299	-0.087
Electric Power Service	0.782	-0.363	0.083
Water and Sewage Service	0.700	-0.234	0.146
Telecommunication Service	0.474	0.093	-0.106
Disposal of Solid Waste	0.359	0.201	0.104
Air Transport Service	0.201	0.852	-0.314
Maritime Transport Service	0.391	0.845	0.046
Land Transport Service	0.336	0.774	0.275
Postal Service	-0.022	0.017	0.957

Extraction Method: Principal Component Analysis.
a 3 components extracted.

Chi-square of goodness of fit was employed to determine whether or not the observed frequencies are different from what we would expect to find.

Table 6.16 highlights that the chi-square value is 54.206 for the banking service factor; 45.912 for the insurance service; 49.441 for the electric power service; 65.059 for water and sewage service; 42.471 for telecommunication services; 53.324 for mail service; 56.941 for land transport; 53.324 for maritime transport service; 36.824 for air transport service; 29.059 for disposal of solid waste factor on two degrees of freedom. It should be noted that the P value for all factors is 0.000. Because the observed p-value is less than critical alpha value (alpha = 0.05), the results were considered statistically significant. This means that the data should be interpreted by using cross-tabulation tables.

By cross-tabulating company sector and geographic location with the level of satisfaction expressed by the company representatives regarding the infrastructure service, it can be concluded that a number of the sectors suffer from the provision of poor services associated with the elements of infrastructure. For example, companies in the agriculture sector suffer more than their counterparts from poor banking services, shortages in power supply, a deterioration in the provision of the water and sewage service, poor telecommunication services and inefficient disposal of solid waste. However, these companies appear to be in a better situation than their

counterparts with regard to insurance services, postal and delivery services, and all types of transport-land, maritime and air. As far as the manufacturing sector is concerned it suffers more than the other sectors in relation to deterioration in insurance services, as well as poor transport particularly maritime and air services. However, manufacturing companies are in a better situation in relation to banking, water and sewage, and telecommunications. Meanwhile, the companies of the service sector appear to be the least happy with postal and delivery services, land transport, and disposal of sewage. Moreover, the service sector companies are weaker in relation to any of the services associated with any of the infrastructure variables featuring in this research.

Table 6.16 Chi-Square of Goodness of Fit for a Number of Infrastructure Service Variables

Variables	Chi-Square(a)	Df	Asymp. Sig
Banking Service	54.206	2	0.000
Insurance Service	45.912	2	0.000
Electric Power Service	49.441	2	0.000
Water and Sewage Service	65.059	2	0.000
Telecommunication Service	42.471	2	0.000
Mail Service	53.324	2	0.000
Land Transport Service	56.941	2	0.000
Maritime Transport Service	53.324	2	0.000
Air Transport Service	36.824	2	0.000
Disposal of Solid Waste Service	29.059	2	0.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.7.

However, in relation to the geographic of the international companies in Libya it can be concluded that the major counties (*shabiat*) which contain a high concentration of international companies, as is the case with Tripoli and Benghazi, suffer more than others from poor services in the realm of banking, insurance, air transport and disposal of solid waste. In contrast these counties are stronger in relation to other services such as telecommunications. However, Tripoli also suffers from inadequate services in the areas of maritime and land transport as well as shortages in power supply. Moreover, Benghazi is considered the only county that suffers from deterioration in the provision of water and sewage services. Al-Jfara is considered the best of the counties in terms of infrastructure provision including banking, insurance, water and sewage, postal and delivery, and disposal of solid waste. The rural counties are considered weakest in relation to telecommunications, but the best in relation to air, maritime and land transport.

6.4.1 Obstacles in Relation to Banking Services

Table 6.17 highlights the relationship between the different sectors and the perceptions of banking services in Libya, from which it can be concluded that the general trend was that most of the company respondents expressed dissatisfaction with the level of service provided; however, the level of dissatisfaction varied across the sectors. For instance, all respondents in the agriculture sector expressed their dissatisfaction with the service provided by local banks. However, dissatisfaction in the service sector was 75.0%, while it was 73.0% in the manufacturing sector.

Table 6.17 Cross Tabulation of Company Sector and Banking Service

			Banking Service			
			Satisfied	Not sure	Dissatisfied	Total
Sector	Manufacturing	Number	8	2	27	37
		%	21.6%	5.4%	73.0%	100.0%
	Services	Number	4	3	21	28
		%	14.3%	10.7%	75.0%	100.0%
	Agriculture	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**12**	**5**	**51**	**68**
		%	**17.6%**	**7.4%**	**75.0%**	**100.0%**

The results in table 6.18 highlight that company respondents from all counties (shabiat) appear to be unhappy with banking services, although to varying degrees. In Tripoli, the worst example, 80.6% of the company respondents expressed their dissatisfaction with the service. Benghazi comes in second place with 77.8% dissatisfaction followed by rural counties with 70.0% dissatisfaction. At the bottom of the table comes Al-Jfara with 61.5% dissatisfaction.

Table 6.18 Cross Tabulation of Company Location and Banking Service

			Banking Service			
			Satisfied	Not sure	Dissatisfied	Total
Location	Tripoli	Number	5	2	29	36
		%	13.9%	5.6%	80.6%	100.0%
	Al-Jfara	Number	4	1	8	13
		%	30.8%	7.7%	61.5%	100.0%
	Benghazi	Number	2	0	7	9
		%	22.2%	0.0%	77.8%	100.0%
	Other	Number	1	2	7	10
		%	10.0%	20.0%	70.0%	100.0%
Total		Number	12	5	51	68
		%	17.6%	7.4%	75.0%	100.0%

6.4.2 Obstacles in Relation to Insurance Services

Table 6.19 shows the level of satisfaction of the company representatives with insurance service provision in relation to the sector in which the company operates. Again, as a general rule it can be concluded that most of the respondents are dissatisfied with this service. In the manufacturing sector 75.7% are dissatisfied, compared with 67.9% in the service sector and two thirds in the agriculture sector.

Table 6.19 Cross Tabulation of Company Sector and Insurance Service

			Insurance Service			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Sector	**Manufacturing**	Number	5	4	28	37
		%	13.5%	10.8%	75.7%	100.0%
	Services	Number	4	5	19	28
		%	14.3%	17.9%	67.9%	100.0%
	Agriculture	Number	0	1	2	3
		%	0.0%	33.3%	66.7%	100.0%
Total		**Number**	**9**	**10**	**49**	**68**
		%	**13.2%**	**14.7%**	**72.1%**	**100.0%**

Table 6.20 highlights the level of satisfaction of respondents with the insurance service in terms of the location of the companies. It can be concluded that the majority of the respondents have expressed their discontent with the service. In this regard, respondents from the highly populated counties with higher levels of economic activity such as Tripoli and Benghazi are the most discontented. In Tripoli, 80.6% of respondents were dissatisfied with the service while in Benghazi the level was 77.8%.

Table 6.20 Cross Tabulation of Company Location and Insurance Service

			Insurance Service			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Location	**Tripoli**	Number	3	4	29	36
		%	8.3%	11.1%	80.6%	100.0%
	Al-Jfara	Number	4	2	7	13
		%	30.8%	15.4%	53.8%	100.0%
	Benghazi	Number	1	1	7	9
		%	11.1%	11.1%	77.8%	100.0%
	Other	Number	1	3	6	10
		%	10.0%	30.0%	60.0%	100.0%
Total		**Number**	**9**	**10**	**49**	**68**
		%	**13.2%**	**14.7%**	**72.1%**	**100.0%**

In the other counties the level of discontent among the respondents is relatively low: 60.0% of the respondents from the remaining five counties expressed their dissatisfaction while in Al-Jfara 53.8% were dissatisfied.

6.4.3 Obstacles in Relation to Electric Power Services

Table 6.21 shows the level of satisfaction of the company respondents with the electric power services in relation to the sector in which the company is involved. From the table, it can be noted that the majority of the company representatives appear to be dissatisfied with this service. In this regard, the agriculture sector is the most affected as all respondents from this sector expressed their discontent, followed by the service sector with 75.0% dissatisfaction, and the manufacturing sector at 70.3%.

Table 6.21 Cross Tabulation of Company Sector and Electric Power Service

			Electric Power Service			
			Satisfied	Not sure	Dissatisfied	Total
Sector	**Manufacturing**	Number	7	4	26	37
		%	18.9%	10.8%	70.3%	100.0%
	Services	Number	2	5	21	28
		%	7.1%	17.9%	75.0%	100.0%
	Agriculture	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**9**	**9**	**50**	**68**
		%	**13.2%**	**13.2%**	**73.5%**	**100.0%**

In relation to the level of satisfaction in terms of location, table 6.22 highlights that the majority of respondents from the different counties are unhappy with the quality of electric service, particularly in Tripoli where 83.3% of the respondents are unhappy, and also the rural counties where 70.0% expressed dissatisfaction. In Al-Jfara 61.5% expressed their discontent while in Benghazi 55.6% was unhappy.

Table 6.22 Cross Tabulation of Company Location and Electric Power Service

			Electric Power Service			
			Satisfied	Not sure	Dissatisfied	Total
Location	**Tripoli**	Number	2	4	30	36
		%	5.6%	11.1%	83.3%	100.0%
	Al-Jfara	Number	3	2	8	13
		%	23.1%	15.4%	61.5%	100.0%
	Benghazi	Number	2	2	5	9
		%	22.2%	22.2%	55.6%	100.0%
	Other	Number	2	1	7	10
		%	20.0%	10.0%	70.0%	100.0%
Total		**Number**	**9**	**9**	**50**	**68**
		%	**13.2%**	**13.2%**	**73.5%**	**100.0%**

6.4.4 Obstacles in Relation to Water and Sewage Services

Table 6.23 highlights the level of satisfaction of the international companies operating in Libya with the water and sewage services. Again the levels of dissatisfaction are high. For example, in the agriculture sector all respondents are

dissatisfied, while in the service sector 82.1% of the respondents are dissatisfied and in the manufacturing sector, which is the least affected, 75.7% of the respondents are unhappy.

Table 6.23 Cross Tabulation of Company Sector and Water and Sewage Service

			Water and Sewage Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Sector	**Manufacturing**	Number	4	5	28	37
		%	10.8%	13.5%	75.7%	100.0%
	Services	Number	2	3	23	28
		%	7.1%	10.7%	82.1%	100.0%
	Agriculture	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**6**	**8**	**54**	**68**
		%	**8.8%**	**11.8%**	**79.4%**	**100.0%**

The level of satisfaction within the manufacturing sector (10.8%) is better than the average level of satisfaction (8.8%), while its dissatisfaction level (75.7%) is better than the average of 79.4%: this indicates that this sector is suffering the least with respect to water and sewage services.

In terms of geographic location (see table 6.24), while most of the respondents appear to be unhappy with the water and sewage service, this varies by location.

Table 6.24 Cross Tabulation of Company Location and Water and Sewage Service

			Water and Sewage Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Location	**Tripoli**	Number	3	5	28	36
		%	8.3%	13.9%	77.8%	100.0%
	Al-Jfara	Number	2	2	9	13
		%	15.4%	15.4%	69.2%	100.0%
	Benghazi	Number	0	0	9	9
		%	0.0%	0.0%	100.0%	100.0%
	Other	Number	1	1	8	10
		%	10.0%	10.0%	80.0%	100.0%
Total		**Number**	**6**	**8**	**54**	**68**
		%	**8.8%**	**11.8%**	**79.4%**	**100.0%**

Benghazi and the rural counties are the ones in which dissatisfaction is the highest: all respondents from Benghazi are dissatisfied with the water and sewage services, compared to 80.0% from rural counties. As the results demonstrate, the neighbouring counties of Tripoli and Al-Jfara come next with 77.8% and 69.2% dissatisfaction respectively.

6.4.5 Obstacles in Relation to Telecommunication Services

Table 6.25 shows the level of satisfaction of the foreign companies in terms of the business sector involved. From the results the responses appear to show a significant variant across the sectors: in the manufacturing sectors the satisfaction level with the service was 75.7% and in the service sector it was 71.4%; however in case of the agricultural sector two thirds of the respondents are unhappy with the service.

Table 6.25 Cross Tabulation of Company Sector and Telecommunication Service

			Telecommunication Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Sector	**Manufacturing**	Number	28	5	4	37
		%	75.7%	13.5%	10.8%	100.0%
	Services	Number	20	4	4	28
		%	71.4%	14.3%	14.3%	100.0%
	Agriculture	Number	0	1	2	3
		%	0.0%	33.3%	66.7%	100.0%
Total		**Number**	**48**	**10**	**10**	**68**
		%	**70.6%**	**14.7%**	**14.7%**	**100.0%**

From another perspective table 6.26 indicates the level of satisfaction of the respondents with the telecommunication services in terms of geographic location. In general, it can be concluded that most of the company respondents appear to be happy with the service particularly in Benghazi which tops the list with 77.8%. Al-Jfara comes in second place with 76.9% satisfaction followed by Tripoli with 72.2% satisfaction and lastly the rural counties with 50% satisfaction.

Table 6.26 Cross Tabulation of Company Location and Telecommunication

			Telecommunication Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Location	**Tripoli**	Number	26	4	6	36
		%	72.2%	11.1%	16.7%	100.0%
	Al-Jfara	Number	10	2	1	13
		%	76.9%	15.4%	7.7%	100.0%
	Benghazi	Number	7	1	1	9
		%	77.8%	11.1%	11.1%	100.0%
	Other	Number	5	3	2	10
		%	50.0%	30.0%	20.0%	100.0%
Total		**Number**	**48**	**10**	**10**	**68**
		%	**70.6%**	**14.7%**	**14.7%**	**100.0%**

By comparing the percentages with the average it could be concluded that the rural counties as well as Tripoli are the worst affected counties by the poor telecommunication services as the level of dissatisfaction remain worse than the

average while the level of satisfaction which is below average. This indicates that high level of discontent among the respondents from these counties.

6.4.6 Obstacles in Relation to Postal Services

Table 6.27 displays results regarding the level of satisfaction of the company respondents with the postal and delivery services in relation to the sector. From the results it can be established that the majority of respondents expressed their dissatisfaction with the quality of service. In ranking of dissatisfaction, the service sector was highest with 82.1% followed by the manufacturing sector at 70.3%. However, the situation is better in the agriculture sector where one third of the respondents expressed their satisfaction.

Table 6.27 Cross Tabulation of Company Sector and Postal Service

			Postal Service			
			Satisfied	Not sure	Dissatisfied	**Total**
	Manufacturing	Number	7	4	26	37
Sector		%	18.9%	10.8%	70.3%	100.0%
	Services	Number	2	3	23	28
		%	7.1%	10.7%	82.1%	100.0%
	Agriculture	Number	1	0	2	3
		%	33.3%	0.0%	66.7%	100.0%
Total		**Number**	**10**	**7**	**51**	**68**
		%	**14.7%**	**10.3%**	**75.0%**	**100.0%**

However, irrespective of location it appears that the majority of the company respondents (see table 6.28) appear to be dissatisfied. In this regard, Benghazi County records the worst results with 88.9% of respondents expressing dissatisfaction, followed by Tripoli County with 75.0%, Al-Jfara County with 69.2%, and finally the rural counties with 70.0%.

Table 6.28 Cross Tabulation of Company Location and Postal Service

			Postal Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Location	**Tripoli**	Number	4	5	27	36
		%	11.1%	13.9%	75.0%	100.0%
	Al-Jfara	Number	2	2	9	13
		%	15.4%	15.4%	69.2%	100.0%
	Benghazi	Number	1	0	8	9
		%	11.1%	0.0%	88.9%	100.0%
	Other	Number	3	0	7	10
		%	30.0%	0.0%	70.0%	100.0%
Total		**Number**	**10**	**7**	**51**	**68**
		%	**14.7%**	**10.3%**	**75.0%**	**100.0%**

6.4.7 Obstacles in Relation to Land Transport Services

From table 6.29 which highlights the level of satisfaction with land transport in relation to the different sectors, it appears that the majority of companies are happy with the service. The agricultural sector tops the list with 100.0% satisfaction followed by the manufacturing sector with 78.4% satisfaction and the service sector with 71.4% satisfaction.

Table 6.29 Cross Tabulation of Company Sector and Land Transport Service

			Land Transport Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Sector	**Manufacturing**	Number	29	3	5	37
		%	78.4%	8.1%	13.5%	100.0%
	Services	Number	20	5	3	28
		%	71.4%	17.9%	10.7%	100.0%
	Agriculture	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**52**	**8**	**8**	**68**
		%	**76.5%**	**11.8%**	**11.8%**	**100.0%**

As for the location of the company, table 6.30 shows that most of the respondents, though in varying degrees, show their satisfaction with the quality of the land transport service. In this respect the rural counties rank first with 80% of the respondents expressing their satisfaction followed by Benghazi, Al-Jfara and Tripoli Counties with 77.8%, 76.9% and 75.0% respectively.

Table 6.30 Cross Tabulation of Company Location and Land Transport Service

			Land Transport Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Location	**Tripoli**	Number	27	5	4	36
		%	75.0%	13.9%	11.1%	100.0%
	Al-Jfara	Number	10	1	2	13
		%	76.9%	7.7%	15.4%	100.0%
	Benghazi	Number	7	1	1	9
		%	77.8%	11.1%	11.1%	100.0%
	Other	Number	8	1	1	10
		%	80.0%	10.0%	10.0%	100.0%
Total		**Number**	**52**	**8**	**8**	**68**
		%	**76.5%**	**11.8%**	**11.8%**	**100.0%**

From table 6.30, it can be seen that the neighbouring counties of Tripoli and Al-Jfara are ranked the weakest: for Tripoli the level of satisfaction is less than the general average of 76.5%. Likewise 13.9% of the respondents from Tripoli remain

unsure about the service which is higher than the general average of 11.8%. In Al-Jfara County the level of dissatisfaction stands at 15.4% compared to the general average of 11.8%.

6.4.8 Obstacles in Relation to Maritime Transport Services

As far as the sector in which the company is involved, table 6.31 shows the majority of the respondents are happy with the service. This is particularly so in the agriculture sector where all the respondents expressed their satisfaction with the service. The service sector is ranked second with 75.0% of respondents expressing their satisfaction, while the manufacturing sector is the worst ranked with 73.0% satisfaction levels.

Table 6.31 Cross Tabulation of Company Sector and Maritime Transport Service

			Maritime Transport Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Sector	**Manufacturing**	Number	27	3	7	37
		%	73.0%	8.1%	18.9%	100.0%
	Services	Number	21	4	3	28
		%	75.0%	14.3%	10.7%	100.0%
	Agriculture	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**51**	**7**	**10**	**68**
		%	**75.0%**	**10.3%**	**14.7%**	**100.0%**

Table 6.32 highlights the level of satisfaction of the company respondents in relation to location. From the results, the majority of the respondents are satisfied with the quality of service. The rural counties top the list with 100.0% satisfaction followed by Benghazi with 77.8%, Al-Jfara with 76.9% and Tripoli with 66.7% satisfaction.

Table 6.32 Cross Tabulation of Company Location and Maritime Transport Service

			Maritime Transport Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Location	**Tripoli**	Number	24	5	7	36
		%	66.7%	13.9%	19.4%	100.0%
	Al-Jfara	Number	10	1	2	13
		%	76.9%	7.7%	15.4%	100.0%
	Benghazi	Number	7	1	1	9
		%	77.8%	11.1%	11.1%	100.0%
	Other	Number	10	0	0	10
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**51**	**7**	**10**	**68**
		%	**75.0%**	**10.3%**	**14.7%**	**100.0%**

The two neighbouring counties of Tripoli and Al-Jfara are the worst scored by the maritime service. In Tripoli 66.7% of the respondents expressed their satisfaction with the service compared with the average of 75.0%. However, in Al-Jfara County the level of dissatisfaction stands at 15.4% compared to the general level of dissatisfaction among the respondents of 14.7%.

6.4.9 Obstacles in Relation to Air Transport Services

Table 6.33 highlight the level of satisfaction with the air transport service in relation to the sector in which the company operates. The results indicate a general satisfaction with the service particularly among respondents from the agriculture sector where the satisfaction level was 100%. In comparison, in the service sector and the manufacturing sectors 71.4% and 62.2% of the respondents expressed satisfaction with the service respectively.

Table 6.33 Cross Tabulation of Company Sector and Air Transport Service

			Air Transport Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Sector	**Manufacturing**	Number	23	3	11	37
		%	62.2%	8.1%	29.7%	100.0%
	Services	Number	20	5	3	28
		%	71.4%	17.9%	10.7%	100.0%
	Agriculture	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**46**	**8**	**14**	**68**
		%	**67.6%**	**11.8%**	**20.6%**	**100.0%**

As far as the location of the company in relation to air transport services is concerned table 6.34 shows that rural counties come at the top of the list with 80% of the respondents expressing their satisfaction, followed by Al-Jfara with 69.2% satisfaction, Benghazi with 66.7% and Tripoli with 63.9%.

Table 6.34 Cross Tabulation of Company Location and Air Transport Service

			Air Transport Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Location	**Tripoli**	Number	23	5	8	36
		%	63.9%	13.9%	22.2%	100.0%
	Al-Jfara	Number	9	1	3	13
		%	69.2%	7.7%	23.1%	100.0%
	Benghazi	Number	6	2	1	9
		%	66.7%	22.2%	11.1%	100.0%
	Other	Number	8	0	2	10
		%	80.0%	0.0%	20.0%	100.0%
Total		**Number**	**46**	**8**	**14**	**68**
		%	**67.6%**	**11.8%**	**20.6%**	**100.0%**

6.4.10 Obstacles in Relation to Disposal of Solid Waste Services

Table 6.35 shows that the majority of investors are dissatisfied with the service, although at varying degrees depending on the sector involved. For example, all investors in the agriculture sector express their dissatisfaction with the service, as compared to manufacturing with 64.9% dissatisfaction levels and the service sector with 53.6% dissatisfied.

Table 6.35 Cross Tabulation of Company Sector and Disposal of Solid Waste Service

			Disposal of Solid Waste Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Sector	**Manufacturing**	Number	2	11	24	37
		%	5.4%	29.7%	64.9%	100.0%
	Services	Number	4	9	15	28
		%	14.3%	32.1%	53.6%	100.0%
	Agriculture	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**6**	**20**	**42**	**68**
		%	**8.8%**	**29.4%**	**61.8%**	**100.0%**

In relation to location, table 6.36 highlights that Benghazi County is the worst ranked for solid waste disposal with 77.8% of the respondents expressing their discontent compared with Tripoli County with two-thirds expressing dissatisfaction. The problem appears less in the rural counties where 50.0% of the respondents expressed dissatisfaction about the quality of service.

Table 6.36 Cross Tabulation of Company Location and Disposal of Solid Waste Service

			Disposal of Solid Waste Service			
			Satisfied	Not sure	Dissatisfied	**Total**
Location	**Tripoli**	Number	3	9	24	36
		%	8.3%	25.0%	66.7%	100.0%
	Al-Jfara	Number	1	6	6	13
		%	7.7%	46.2%	46.2%	100.0%
	Benghazi	Number	1	1	7	9
		%	11.1%	11.1%	77.8%	100.0%
	Other	Number	1	4	5	10
		%	10.0%	40.0%	50.0%	100.0%
Total		**Number**	**6**	**20**	**42**	**68**
		%	**8.8%**	**29.4%**	**61.8%**	**100.0%**

6.5 SUMMARY

In summary, a number of difficulties exist in relation to the economic resources used by foreign and joint companies operating in Libya. In terms of human resources, the international companies face difficulties in relation to the import of foreign labour, coupled with difficulties associated with the availability of local skilled labour. In this regard, companies operating in the service and manufacturing sectors were affected the most, while those in the agricultural sector were least affected. However, the respondents were mostly satisfied with the skills and know-how of the Libyan labour force in terms of language, technological know-how and team-working, particularly those operating in the agricultural sector. Nonetheless, international companies operating in the service sector highlighted weaknesses in relation to technological know-how and team-working skills, while those operating in the manufacturing sector were concerned about a lack of foreign language skills.

At the top of the list of difficulties in relation to natural resources were their scarcity, which increases costs, and poor quality in some cases. Manufacturing companies, particularly those operating in the neighbouring counties of Tripoli and Al-Jfara, suffer from the low quality of natural resources. Service companies, particularly those operating in the Benghazi region suffer most from high prices and marketing problems.

The results highlight that a number of the sectors suffer from the poor provision of services associated with the infrastructure. For example, companies in the agriculture sector were affected worse than their counterparts from poor banking services, shortages in power supply, deterioration in the provision of the water and sewage service, poor telecommunication services and inefficient disposal of solid waste. However, these companies were in a better situation than their counterparts in relation to insurance services, postal and delivery services, and all types of transport-land, maritime and air. The manufacturing sector suffered more than the other sectors in relation to deteriorating conditions in insurance services, as well as poor transport particularly maritime and air. However, they were in a better situation in relation to banking, water and sewage, and telecommunications. Meanwhile, the service sector was least happy with postal and delivery services, land transport, and disposal of sewage. Overall, the service sector companies were more negatively affected by the poor provision of the infrastructure variables than the other sectors.

In terms of location, those companies situated in the counties, such as Tripoli and Benghazi, where there is a high concentration of international companies face more problems than other companies from poor services in the realm of banking, insurance, air transport and disposal of solid waste. In contrast, these counties are stronger in relation to other services such as telecommunications. However, Tripoli also suffers from inadequate services in the areas of maritime and land transport as well as shortages in power supply. Moreover, Benghazi is the only county in which the provision of water and sewage services is deteriorating. Al-Jfara is considered to be the best of the counties in terms of infrastructure provision including banking, insurance, water and sewage, postal and delivery, and disposal of solid waste. The rural counties are considered weakest in relation to telecommunications, but the best in relation to air, maritime and land transport.

CHAPTER SEVEN
ASSESSING THE LIBYAN INVESTMENT CLIMATE FOR ATTRACTING FOREIGN DIRECT INVESTMENT

7.1 INTRODUCTION

This chapter focuses on the interpretation of the data acquired from a survey conducted with the objective of assessing the respondents' perceptions of the Libyan investment climate. In this chapter Chi-squire and cross-tabulation are employed through the use of SPSS.

In this context a number of independent variables were selected. These variables are thought to be helpful in the understanding of dependent variables in relation to the level of satisfaction of foreign and local investors in relation to the investment environment in Libya. The seven independent variables used are: investors post; company ownership; economic sector; company status; company location; company experience in other countries; and length of experience in Libya. The questionnaire included eleven dependent variables concerning elements of the Libyan investment environment in the following sub-groups: social and political conditions; administrative and organisational conditions; and economic and financial concerns.

The chapter is divided into three major sections along with the introduction and summary. The first of these sections discusses the main barriers in relation to social and political conditions in the opinion of the representatives of the foreign and joint companies. The second section is concerned with obstacles in relation to economic and financial matters such as transferring money into and out of the country, entry and exit visas, accounting, and auditing. Section three discusses the obstacles associated with administrative and organisational issues such as initial application, application procedures, and approval time.

7.2 SOCIAL AND POLITICAL OBSTACLES

The four independent variables used in this section are: company ownership; sector; location; and length of experience in the Libyan market. These variables are used to determine in detail the socio-political obstacles that face foreign and joint

companies registered with the LIB operating in Libya, apart from those involved in the oil and gas sectors.

Chi-square of goodness of fit was employed to determine whether the observed frequencies are different from those that we would expect to find. It is apparent from the information shown in table 7.1 that the chi-square value is 71.761 for institutional stability, 49.727 for stability of rules, 87.559 for crime rate, and 50.235 for entry and exit on two degrees of freedom, and the P value is 0.000 for all the variables.

Table 7.1 Chi-Square of Goodness of Fit for Social and Political Condition Variables

	Institutional Stability	Stability of Rules	Crime Rate	Entry and Exit Visas
Chi-Square(a,b,c)	71.761	49.727	87.559	50.235
Df	2	2	2	2
Asymp. Sig.	0.000	0.000	0.000	0.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.3.
b 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.0.
c 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.7.

As the observed P was less than alpha (alpha = 0.05) the results were considered statistically significant. This means that the cells of a contingency table should be interpreted by using cross tabulation.

From the cross-tabulation results in the proceeding section as far the joint companies are concerned bureaucracy is the most significant obstacle; however, the independent foreign companies find the legal context is the most important obstacle. Furthermore, the obstacles in relation to financial concerns come in third place in the list of independent variables.

As highlighted in chapter five, foreign and local investors are satisfied with aspects such as the low crime rates in Libya as well as the ease of obtaining entry and exit visas. In relation to crime rates the majority of company representatives expressed their satisfaction with the situation. However negatively, the situation becomes deteriorates over time. Positively, the high levels of satisfaction are experienced across all sectors apart from the agricultural sector in which one third of the representatives expressed their dissatisfaction. The same could be said about the highly populated counties where investment activity is relatively more intense apart from Benghazi in which one-tenth of representatives expressed dissatisfaction.

Entry visa into Libya is another aspect where most of the representatives expressed their satisfaction with the required procedures. Positively, a high level of satisfaction exists among representatives of long-serving companies in Libya as compared with companies which are relatively new. Likewise most representatives of independent foreign companies are happy with the procedures, and there are no concerns that can be related to the location of the company, particularly in those counties featuring intensive investment activity. Also, the same could be said about the different economic sectors apart from the agriculture sector where a third of the representatives of companies operating in this sector expressed their dissatisfaction with the entry visa procedures.

However, the majority of foreign company representatives expressed their dissatisfaction with institutional stability in relation to laws and regulations in Libya. Furthermore, the level of dissatisfaction increases among representatives of joint ventures, while the situation is even worse for service sector companies. Likewise in the case of counties such as Tripoli and Benghazi where investment activity is more intense and public institutions are more numerous, the level of dissatisfaction is higher. However, in Al-Jfara county there is also greater dissatisfaction among respondents in relation to the prevailing laws. Finally the positive relationship between the level of dissatisfaction and length business experience it can be concluded that the situation in relation to the laws and institutional stability in Libya becomes worse with time.

7.2.1 Institutional Stability Obstacles

Table 7.2, shows the level of satisfaction with institutional stability in relation to company Ownership, and indicates that the majority of representatives have expressed their dissatisfaction with the stability of public institutions in Libya.

Table 7.2 Cross Tabulation of Company Ownership and Institutional Stability

			Institutional Stability			Total
			Satisfied	Not sure	Dissatisfied	
Ownership	Joint	Number	5	3	47	55
		%	9.1%	5.5%	85.5%	100.0%
	Foreign	Number	2	2	8	12
		%	16.7%	16.7%	66.7%	100.0%
Total		**Number**	**7**	**5**	**55**	**67**
		%	**10.4%**	**7.5%**	**82.1%**	**100.0%**

For example, in the case of joint companies 85.5% of the representatives are unhappy, while for foreign companies two-thirds of representatives are dissatisfied. The table 7.2 also highlights that the situation is worse for joint companies with the level of dissatisfaction standing at 85.5% compared with the average of 82.1%.

Table 7.3 highlights the level of satisfaction of representatives with institutional stability in terms of company activity. The majority of respondents from the companies operating in each of the three sectors expressed their dissatisfaction. In this regard, the service sector is the worst with 85.5% of the representatives expressing dissatisfaction, in comparison the manufacturing sector scored 80.6% and the agricultural sector with 66.6%.

Table 7.3 Cross Tabulation of Company Sector and Institutional Stability

			Institutional Stability			Total
			Satisfied	Not sure	Dissatisfied	
Sector	Industry	Number	4	3	29	36
		%	11.1%	8.3%	80.6%	100.0%
	Services	Number	2	2	24	28
		%	7.1%	7.1%	85.7%	100.0%
	Agriculture	Number	1	0	2	3
		%	33.3%	0.0%	66.7%	100.0%
Total		**Number**	**7**	**5**	**55**	**67**
		%	**10.4%**	**7.5%**	**82.1%**	**100.0%**

Furthermore, the service sector companies suffer the most with the level of dissatisfaction exceeding the average of 82.1% and a level of satisfaction less than the average of 10.4%.

Table 7.4 shows a relationship between institutional stability and location, and indicates that the majority of foreign investors in all counties expressed dissatisfaction although to varying degrees. However, the position is worst in the capital Tripoli where 91.7% of company representatives expressed dissatisfaction. In comparison in the second city Benghazi 88.9% were dissatisfied. However, companies in the other counties were happier: in Al-Jfara 69.2% of the representatives expressed dissatisfaction, while in the suburban counties only 55.6% of representatives expressed dissatisfaction.

From the forgoing, it can be concluded that in counties where the investment activity is intense and public institutions are more numerous the level of satisfaction

with institutional stability is lower, as the case with Tripoli and Benghazi counties where the level of dissatisfaction exceeds the average of 82.1%.

Table 7.4 Cross Tabulation of Company Location and Institutional Stability

			Institutional Stability			Total
			Satisfied	Not sure	Dissatisfied	
Location	**Tripoli**	Number	1	2	33	36
		%	2.8%	5.6%	91.7%	100.0%
	Al-Jfara	Number	2	2	9	13
		%	15.4%	15.4%	69.2%	100.0%
	Benghazi	Number	1	0	8	9
		%	11.1%	0.0%	88.9%	100.0%
	Other	Number	3	1	5	9
		%	33.3%	11.1%	55.6%	100.0%
Total		**Number**	**7**	**5**	**55**	**67**
		%	**10.4%**	**7.5%**	**82.1%**	**100.0%**

Table 7.5 highlights the institutional stability in relation to length of company experience in Libya. It can be concluded that the level of dissatisfaction rises with the experience of the companies. The data shows that in the case of companies which are relatively new in the field of investment in Libya the level of dissatisfaction is relatively low standing at 79.5% but increases to 84.0% for companies with moderate business experience and reaches its zenith for companies with relatively long business experience with all representatives expressing dissatisfaction.

Table 7.5 Cross Tabulation of Company Duration and Institutional Stability

			Institutional Stability			Total
			Satisfied	Not sure	Dissatisfied	
Experience In Libya	**Less than 2 years**	Number	4	4	31	39
		%	10.3%	10.3%	79.5%	100.0%
	2-4 years	Number	3	1	21	25
		%	12.0%	4.0%	84.0%	100.0%
	More than 4 years	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**7**	**5**	**55**	**67**
		%	**10.4%**	**7.5%**	**82.1%**	**100.0%**

7.2.2 Stability of Legislation

Legal stability refers to the operation of legal system according to the rules of law away from individuals, institutions and politics influences.

Table 7.6 shows the relationship the company ownership and the level of satisfaction of company representatives with the Libyan administrative laws and regulations. In the case of institutional stability, the majority of those representing

international companies are dissatisfied with the laws and regulations. In particular, 75.9% of respondents from joint companies are dissatisfied with the prevailing administrative laws and regulation. However, for companies fully owned by foreign investors two-thirds of the representative expressed dissatisfaction. It also becomes clear from the data depicted in table 9.6 that joint companies suffer most in relation to legislation as the level of dissatisfaction exceeds the average of 74.2%.

Table 7.6 Cross Tabulation of Company Ownership and Stability of Legislation

			Stability of Legislation			Total
			Satisfied	Not sure	Dissatisfied	
Ownership	Joint	Number	6	7	41	54
		%	11.1%	13.0%	75.9%	100.0%
	Foreign	Number	2	2	8	12
		%	16.7%	16.7%	66.7%	100.0%
Total		**Number**	**8**	**9**	**49**	**66**
		%	**12.1%**	**13.6%**	**74.2%**	**100.0%**

Another aspect is the relationship between the level of satisfaction with the legislation and sector in which the company is involved. In this regard, table 7.7 reveals the fact that the majority of representatives express dissatisfaction albeit at varying levels. The service sector is the worst ranked with 82.1% of representatives dissatisfied, compared with 68.6% dissatisfied in the industrial sector, and 66.7% in the agricultural sector. As the level of dissatisfaction in the service sector is higher than the average of 72.2% this sector is considered to suffer the most in relation to the laws and regulation.

Table 7.7 Cross Tabulation of Company Sector and Stability of Legislation

			Stability of Legislation			Total
			Satisfied	Not sure	Dissatisfied	
Sector	Industry	Number	5	6	24	35
		%	14.3%	17.1%	68.6%	100.0%
	Services	Number	2	3	23	28
		%	7.1%	10.7%	82.1%	100.0%
	Agriculture	Number	1	0	2	3
		%	33.3%	0.0%	66.7%	100.0%
Total		**Number**	**8**	**9**	**49**	**66**
		%	**12.1%**	**13.6%**	**74.2%**	**100.0%**

Table 7.8 shows the level of satisfaction with the laws and regulation in terms of company location. The majority of the company representatives expressed dissatisfaction with the laws, with Tripoli County suffering the greatest with 91.4% dissatisfied. Al-Jfara County is second with 61.5% dissatisfied, followed by Benghazi

County at 55.6%, and finally the suburban counties at 44.4%. This indicates that Tripoli County is suffering the worst in relation to prevailing legislation as the level of dissatisfaction in this county stands above the average of 74.2%.

Table 7.8 Cross Tabulation of Company Location and Stability of Legislation

			Stability of Legislation			Total
			Satisfied	Not sure	Dissatisfied	
Location	**Tripoli**	Number	1	2	32	35
		%	2.9%	5.7%	91.4%	100.0%
	Al-Jfara	Number	2	3	8	13
		%	15.4%	23.1%	61.5%	100.0%
	Benghazi	Number	2	2	5	9
		%	22.2%	22.2%	55.6%	100.0%
	Other	Number	3	2	4	9
		%	33.3%	22.2%	44.4%	100.0%
Total		**Number**	**8**	**9**	**49**	**66**
		%	**12.1%**	**13.6%**	**74.2%**	**100.0%**

The level of satisfaction of the respondents with the laws and regulations in relation to the length of business experience in Libya is highlighted in table 7.9. The data highlights that the level of dissatisfaction rises with the level of experience. In companies that are relatively new arrivals in Libya 71.1% of the representatives expressed their dissatisfaction with the laws. This ratio increases to 76.0% for companies with a relatively moderate business experience and reaches 100% for companies with a relatively long business experience in Libya. This it can be concluded that legislation becomes more problematic over time

Table 7.9 Cross Tabulation of Company Duration and Stability of Legislation

			Stability of Legislation			Total
			Satisfied	Not sure	Dissatisfied	
Experience In Libya	**Less than 2 years**	Number	4	7	27	38
		%	10.5%	18.4%	71.1%	100.0%
	2-4 years	Number	4	2	19	25
		%	16.0%	8.0%	76.0%	100.0%
	More than 4 years	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**8**	**9**	**49**	**66**
		%	**12.1%**	**13.6%**	**74.2%**	**100.0%**

7.2.3 Crime Rate

The analysis depicted table 7.10 shows the relationship between the company ownership and the level of satisfaction with the level of crime rate in Libya. The majority of respondents find the current level of crime rate tolerable. In the case of

foreign companies, the level of satisfaction is 100%, but the level of satisfaction decreases for joint companies where 83.9% expressed satisfaction, compared with an average of 86.8%.

Table 7.10 Cross Tabulation of Company Ownership and Crime Rate

			Crime Rate			Total
			Satisfied	Not sure	Dissatisfied	
Ownership	**Joint**	Number	47	6	3	56
		%	83.9%	10.7%	5.4%	100.0%
	Foreign	Number	12	0	0	12
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**59**	**6**	**3**	**68**
		%	**86.8%**	**8.8%**	**4.4%**	**100.0%**

Table 7.11 indicates the level of satisfaction of local and foreign investors with the level of crime rates in Libya in terms of company sector. From the analysis, it can be concluded that the majority of respondents expressed varying levels of satisfaction irrespective of the sector in which the company operates. The manufacturing sector comes first with 89.2% satisfaction, followed by the service sector at 85.7% satisfaction and agriculture with 66.7% satisfaction. Thus the agriculture sector suffers the worst in relation to the level of crime in Libya as it shows a level of satisfaction lower than the average 86.8% and a level of dissatisfaction above the average of 4.4%.

Table 7.11 Cross Tabulation of Company Sector and Crime Rate

			Crime Rate			Total
			Satisfied	Not sure	Dissatisfied	
Sector	**Industry**	Number	33	3	1	37
		%	89.2%	8.1%	2.7%	100.0%
	Services	Number	24	3	1	28
		%	85.7%	10.7%	3.6%	100.0%
	Agriculture	Number	2	0	1	3
		%	66.7%	0.0%	33.3%	100.0%
Total		**Number**	**59**	**6**	**3**	**68**
		%	**86.8%**	**8.8%**	**4.4%**	**100.0%**

From table 7.12 it can be seen that with regard to the relationship between location of the companies and the level of crime rates in Libya the majority of company representatives show satisfaction with level of crime rates. For example in Tripoli 91.7% of the representatives express their satisfaction, while in Al-Jfara it is 84.6%, in the five suburban counties 80.0% and in Benghazi 77.8%.

Thus Benghazi along with the suburban counties are considered to suffer the worse as indicated by the levels of satisfaction of their representatives with respect to crime rates which are lower than other counties, and below the general average of 86.8%.

Table 7.12 Cross Tabulation of Company Location and Crime Rate

			Crime Rate			Total
			Satisfied	Not sure	Dissatisfied	
Location	**Tripoli**	Number	33	2	1	36
		%	91.7%	5.6%	2.8%	100.0%
	Al-Jfara	Number	11	2	0	13
		%	84.6%	15.4%	0.0%	100.0%
	Benghazi	Number	7	1	1	9
		%	77.8%	11.1%	11.1%	100.0%
	Other	Number	8	1	1	10
		%	80.0%	10.0%	10.0%	100.0%
Total		**Number**	**59**	**6**	**3**	**68**
		%	**86.8%**	**8.8%**	**4.4%**	**100.0%**

Table 7.13 displays the relationship between the level of satisfaction of crime rates and the length of company experience in Libya. The majority of the investors have expressed satisfaction with the level of crime rates in Libya, although the level of satisfaction decreases as the length of business experience increases. This is indicated by the high levels of satisfaction for foreign companies which are relatively new in the Libyan market (92.5%) decreasing to 80.0% for companies with moderate experience and reaching its nadir (66.7%) for companies with relatively long business experience.

Table 7.13 Cross Tabulation of Company Duration and Crime Rate

			Crime Rate			Total
			Satisfied	Not sure	Dissatisfied	
Experience In Libya	**Less than 2 years**	Number	37	2	1	40
		%	92.5%	5.0%	2.5%	100.0%
	2-4 years	Number	20	3	2	25
		%	80.0%	12.0%	8.0%	100.0%
	More than 4 years	Number	2	1	0	3
		%	66.7%	33.3%	0.0%	100.0%
Total		**Number**	**59**	**6**	**3**	**68**
		%	**86.8%**	**8.8%**	**4.4%**	**100.0%**

From the analysis shown in table 7.13, although it is positive that the respondents view the level of crime as reasonable, the decreasing levels of satisfaction over time are a negative factor.

7.2.4 Entry and Exit Visa Issues

Table 7.14 shows the company ownership in relation to the level of satisfaction of the company representatives with visa procedures into and out of Libya. Levels of satisfactions are more or less comparable in both types of ownership. For joint companies 73.2% of representatives expressed their satisfaction compared with 75.0% in companies fully owned by foreign investors. Thus the situation is worse for joint companies.

Table 7.14 Cross Tabulation of Company Ownership and Entry and Exit Visas

			Entry and Exit Visas			Total
			Satisfied	Not sure	Dissatisfied	
Ownership	Joint	Number	41	5	10	56
		%	73.2%	8.9%	17.9%	100.0%
	Foreign	Number	9	1	2	12
		%	75.0%	8.3%	16.7%	100.0%
Total		**Number**	**50**	**6**	**12**	**68**
		%	**73.5%**	**8.8%**	**17.6%**	**100.0%**

In terms of type of business activity and its relationship with the level of satisfaction of investors in relation to the visa procedures, it can be concluded from table 7.15 that the majority of representatives expressed their satisfaction with the visa service provided; however, the level of satisfaction varied according to the sector. In the agricultural sector the level of satisfaction was lower than the other sectors; two-thirds of respondents expressed their satisfaction with the visa service. In the manufacturing sector the level of satisfaction was 73.0%, while in the service sector it was 75.0%.

Table 7.15 Cross Tabulation of Company Sector and Entry and Exit Visas

			Entry and Exit Visas			Total
			Satisfied	Not sure	Dissatisfied	
Sector	Industry	Number	27	3	7	37
		%	73.0%	8.1%	18.9%	100.0%
	Services	Number	21	2	5	28
		%	75.0%	7.1%	17.9%	100.0%
	Agriculture	Number	2	1	0	3
		%	66.7%	33.3%	0.0%	100.0%
Total		**Number**	**50**	**6**	**12**	**68**
		%	**73.5%**	**8.8%**	**17.6%**	**100.0%**

In terms of location, most of the representatives expressed their satisfaction with the visa procedures in Libya, although the level of satisfaction varies from one county to another (see table 7.16). The suburban counties are the least satisfied with

the procedures with only 60.0% of the respondents expressing their happiness. Those in Tripoli County were second worst with 72.2% satisfied, while Benghazi County was second best with 77.8%. Al-Jfara County is rated at the top of the list with 84.6% of the representatives expressing their satisfaction with the procedures. This in both Tripoli and the suburban counties the level of satisfaction is less than the average of 73.5% indicating that they suffer the most with regard to the visa procedures.

Table 7.16 Cross Tabulation of Company Location and Entry and Exit Visas

			Entry and Exit Visas			Total
			Satisfied	Not sure	Dissatisfied	
Location	**Tripoli**	Number	26	2	8	36
		%	72.2%	5.6%	22.2%	100.0%
	Al-Jfara	Number	11	1	1	13
		%	84.6%	7.7%	7.7%	100.0%
	Benghazi	Number	7	1	1	9
		%	77.8%	11.1%	11.1%	100.0%
	Other	Number	6	2	2	10
		%	60.0%	20.0%	20.0%	100.0%
Total		**Number**	**50**	**6**	**12**	**68**
		%	**73.5%**	**8.8%**	**17.6%**	**100.0%**

Another aspect of interest is the level of satisfaction of the representatives with the visa services in terms of length of business experience in the country. From table 7.17 it can be seen that 75.0% of respondents from companies that are relatively new to Libya expressed their satisfaction compared with 17.5% who were dissatisfied. In the case of companies with a relatively moderate business experience 68.0% expressed their satisfaction, while all representatives from companies with longer business experience expressed satisfaction with the entry visa procedures.

Table 7.17 Cross Tabulation of Company Duration and Entry and Exit Visas

			Entry and Exit Visas			Total
			Satisfied	Not sure	Dissatisfied	
Experience In Libya	**Less than 2 years**	Number	30	3	7	40
		%	75.0%	7.5%	17.5%	100.0%
	2-4 years	Number	17	3	5	25
		%	68.0%	12.0%	20.0%	100.0%
	More than 4 years	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**50**	**6**	**12**	**68**
		%	**73.5%**	**8.8%**	**17.6%**	**100.0%**

From the data highlighted in table 7.17 it can be concluded that the level of satisfaction rises in conjunction with the length of involvement in the country. However, companies with moderate business experience suffer the most in relation to

visa services as indicated by level of satisfaction of the representatives of these companies which is lower than the average of 73.5%.

7.3 ECONOMIC AND FINANCIAL OBSTACLES

This section discusses the obstacles associated with the financial environment by analysing two independent variables from the survey (the length of business experience in Libya; and depth of experience in other countries) in relations to two dependent variables (capital import and export; and standards of accounting and financial auditing). Chi-square of goodness of fit was employed to determine whether the observed frequencies are different from what we would expect to find. It is assumed that:

> The null hypothesis is: there are approximately equal numbers of cases in each group, and the alternate hypothesis is: there not equal numbers of cases in each group.

Table 7.18 Chi-Square of Goodness of Fit for Financial Matter Variables

	Bringing Money In	Taking Money Out	Accounting	Auditing
Chi-Square(a)	45.912	69.382	37.441	53.147
df	2	2	2	2
Asymp. Sig.	0.000	0.000	0.000	0.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.7.

As can be seen from table 7.18 the chi-square value for bringing mony in is 54.912, for taking money out is 69.382, for accounting is 37.441, for auditing is 53.147 on two degrees of freedom, and the P value is 0.000. Because the observed P was less than alpha (alpha = 0.05), the results were considered statistically significant. Thus, this means that the cells of a contingency table should be interpreted by using cross-tabulation tables.

As was discussed in chapter five the majority of foreign and local investors surveyed admitted that they had not faced any significant difficulties regarding the import of capital into Libya neither had they experienced problems in coping with the principles and the rules of accounting of the Libyan financial system. However, they did admit to having problems with moving money out of the country as a result of having to meet the auditing standards set by the Libyan financial system.

From the cross tabulation it is evident that the representatives appear to be happy with a number of variables but unhappy with others. They expressed

satisfaction with the procedures associated with moving money into the country and other accounting matters, but were less satisfied with other procedures such as moving money out and the auditing procedures. However, in relation to importing capital, companies with longer involvement in Libya are less satisfied with the procedures compared to their counterparts from companies that are relatively new to the country. In relation to the accounting procedures the situation is reversed with companies with a longer business experience, whether in Libya or elsewhere, are more satisfied with the procedures than their counterparts from companies which are relatively new in the business of investment abroad.

On the other hand, with regard to moving money out of the country, it appears that representatives of companies with long business experience appear to be more satisfied than companies which are relatively new in the area of investment abroad. However, concerning the auditing standards the reverse could be true as the level of satisfaction becomes less with increasing business experience of the companies involved abroad.

7.3.1 Importing Capital

Table 7.19 shows the level of satisfaction with the procedures of moving money into the country in relation to the business experience of the companies involved. According to the data, most representatives express their satisfaction with the procedures, albeit at varying levels. At the top of the list with 80.0% satisfaction with the procedures come respondents who are unsure of the number of countries in which their relevant companies have previously invested. Second are companies who have business experience in less than ten countries with 77.3%, while the score was 70.0% for companies with no previous business experience abroad. However, the level of satisfaction was lowest for the most experienced companies.

Taken from another perspective, the level of dissatisfaction with the procedures of importing capital into the country is highest among the most experienced companies standing at 44.4% as compared with 20.0% for companies that have no business experience. In companies that have previous business experience in less than ten countries only 9.1% of the representatives expressed satisfaction.

Table 7.19 Cross Tabulation of Company Experience in Other Countries and Importing Capital

			Importing Capital			Total
			Satisfied	Not sure	Dissatisfied	
Experience In other countries	**None**	Number	7	1	2	10
		%	70.0%	10.0%	20.0%	100.0%
	1-10 Countries	Number	34	6	4	44
		%	77.3%	13.6%	9.1%	100.0%
	More than 10 Countries	Number	4	1	4	9
		%	44.4%	11.1%	44.4%	100.0%
	Not sure	Number	4	1	0	5
		%	80.0%	20.0%	0.0%	100.0%
Total		**Number**	**49**	**9**	**10**	**68**
		%	**72.1%**	**13.2%**	**14.7%**	**100.0%**

In relation to the level of satisfaction with the movement of capital into Libya in terms of business experience of the company involved, the data in table 7.20 indicates that most of the company representatives appear to happy with these procedures, particularly companies that are relatively new to Libya: 80.0% of the respondents expressed their satisfaction with the procedures. As for companies with relatively long business experience in Libya the level of satisfaction with the procedures stands at 66.7%, while in companies with relatively moderate experience the level was 60.0%.

Table 7.20 Cross Tabulation of Company Duration and Importing Capital

			Importing Capital			Total
			Satisfied	Not sure	Dissatisfied	
Experience In Libya	**Less than 2 years**	Number	32	3	5	40
		%	80.0%	7.5%	12.5%	100.0%
	2-4 years	Number	15	5	5	25
		%	60.0%	20.0%	20.0%	100.0%
	More than 4 years	Number	2	1	0	3
		%	66.7%	33.3%	0.0%	100.0%
Total		**Number**	**49**	**9**	**10**	**68**
		%	**72.1%**	**13.2%**	**14.7%**	**100.0%**

7.3.2 Exporting Funds

From the result displayed in table 7.21, it becomes evident that the majority of company representatives expressed their dissatisfaction with the procedures of transferring money abroad. In this regard companies that have business experience in more than 10 countries all expressed dissatisfaction with the procedures, while 90.0% of companies with no foreign business experience other than in Libya expressing dissatisfaction. Furthermore, 79.5% of companies which have business experience in less than ten countries are not happy with the procedures for transferring money

abroad. As for representatives who were not aware of the level of experience of their companies in investing abroad only 40.0% expressed dissatisfaction with the procedures for transferring money abroad.

Table 7.21 Cross Tabulation of Company Experience in Other Countries and Exporting Funds

			Exporting Funds			Total
			Satisfied	Not sure	Dissatisfied	
Experience In other countries	**None**	Number	1	0	9	10
		%	10.0%	.0%	90.0%	100.0%
	1-10 Countries	Number	6	3	35	44
		%	13.6%	6.8%	79.5%	100.0%
	More than 10 Countries	Number	0	0	9	9
		%	0.0%	0.0%	100.0%	100.0%
	Not sure	Number	1	2	2	5
		%	20.0%	40.0%	40.0%	100.0%
Total		**Number**	**8**	**5**	**55**	**68**
		%	**11.8%**	**7.4%**	**80.9%**	**100.0%**

In terms of business experience in Libya, the majority of the representatives of the companies involved in Libya are not happy with the procedures for transferring money out of the country (see table 7.22). In particular, 100.0% of companies with a long experience in Libya were dissatisfied compared with 80.0% of both companies with moderate experience and that were relatively new in Libya. From table 9.22 it is apparent that the level of discontent among respondents rises in line with length of experience of the relevant companies in Libya.

Table 7.22 Cross Tabulation of Company Duration and Exporting Funds

			Exporting Funds			Total
			Satisfied	Not sure	Dissatisfied	
Experience In Libya	**Less than 2 years**	Number	5	3	32	40
		%	12.5%	7.5%	80.0%	100.0%
	2-4 years	Number	3	2	20	25
		%	12.0%	8.0%	80.0%	100.0%
	More than 4 years	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**8**	**5**	**55**	**68**
		%	**11.8%**	**7.4%**	**80.9%**	**100.0%**

7.3.3 Accounting Issues

Table 7.23 shows the level of satisfaction of the respondents with the accounting standards in terms of company business experience internationally. 72.7% of the representatives of companies which have business experience in less than ten countries have expressed satisfaction compared with 55.6% satisfaction for companies that have experience in ten or more countries. Furthermore, 80.0% of the

representatives who are unaware of the business experience of their companies abroad are satisfied with the accounting procedures compared with 50.0% satisfaction for companies which have no business experience in countries other than Libya.

Table 7.23 Cross Tabulation of Company Experience in Other Countries and Accounting Standards

			Accounting			Total
			Satisfied	Not sure	Dissatisfied	
Experience In other countries	**None**	Number	5	1	4	10
		%	50.0%	10.0%	40.0%	100.0%
	1-10 Countries	Number	32	6	6	44
		%	72.7%	13.6%	13.6%	100.0%
	More than 10 Countries	Number	5	0	4	9
		%	55.6%	0.0%	44.4%	100.0%
	Not sure	Number	4	0	1	5
		%	80.0%	0.0%	20.0%	100.0%
Total		**Number**	**46**	**7**	**15**	**68**
		%	**67.6%**	**10.3%**	**22.1%**	**100.0%**

From the information displayed in table 7.24, it can be concluded that all representatives of companies which have more than four years experience in Libya are happy with the accounting standards in Libya. Companies with less than two years of experience in Libya and those with moderate experience have 77.5% and 48.0% of the representatives expressing satisfaction with the accounting standards respectively.

Table 7.24 Cross Tabulation of Company Duration and Accounting Standards

			Accounting			
			Satisfied	Not sure	Dissatisfied	Total
Experience In Libya	**Less than 2 years**	Number	31	2	7	40
		%	77.5%	5.0%	17.5%	100.0%
	2-4 years	Number	12	5	8	25
		%	48.0%	20.0%	32.0%	100.0%
	More than 4 years	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**46**	**7**	**15**	**68**
		%	**67.6%**	**10.3%**	**22.1%**	**100.0%**

7.3.4 Auditing Issues

Table 7.25 highlights the level of satisfaction of respondents with Libyan auditing measures in terms of international business experience. It can be concluded that the majority of representative are unhappy about these measures. Furthermore, 100.0% of companies that have no business experience abroad other than Libya expressed discontent with the procedures. In addition, 80.0% of the representatives who stated that they are not sure of the business experience of their relevant companies abroad expressed dissatisfaction compared with 77.8% dissatisfaction for

companies with business experience in ten or more countries and 68.2% dissatisfaction for companies with business experience in less than ten counties.

Table 7.25 Cross Tabulation of Company Experience in Other Countries and Auditing

			Auditing			Total
			Satisfied	Not sure	Dissatisfied	
Experience In other countries	**None**	Number	0	0	10	10
		%	0.0%	0.0%	100.0%	100.0%
	1-10 Countries	Number	7	7	30	44
		%	15.9%	15.9%	68.2%	100.0%
	More than 10 Countries	Number	1	1	7	9
		%	11.1%	11.1%	77.8%	100.0%
	Not sure	Number	1	0	4	5
		%	20.0%	0.0%	80.0%	100.0%
Total		**Number**	**9**	**8**	**51**	**68**
		%	**13.2%**	**11.8%**	**75.0%**	**100.0%**

Table 7.26 displays the level of satisfaction of foreign companies with auditing procedures in terms of company business experience in Libya. From the data it can be seen that the majority of the company representatives show varying levels of dissatisfaction. In this context 84.0% of the representatives of companies with two to four years of experience in Libya expressed dissatisfaction with the measures compared with 70.0% dissatisfaction for companies with less than two years of business experience. However, two-thirds of companies with a longer business experience expressed their dissatisfaction.

Table 7.26 Cross Tabulation of Company Duration and Auditing

			Auditing			Total
			Satisfied	Not sure	Dissatisfied	
Experience In Libya	**Less than 2 years**	Number	6	6	28	40
		%	15.0%	15.0%	70.0%	100.0%
	2-4 years	Number	3	1	21	25
		%	12.0%	4.0%	84.0%	100.0%
	More than 4 years	Number	0	1	2	3
		%	0.0%	33.3%	66.7%	100.0%
Total		**Number**	**9**	**8**	**51**	**68**
		%	**13.2%**	**11.8%**	**75.0%**	**100.0%**

7.4 ADMINSTRATIVE AND ORGANISATIONAL OBSTACLES

The section discusses the administrative obstacles associated with FDI highlighted by the survey. In order to identify these obstacles in detail three independent variables were considered: company ownership; sector; and experience in the Libyan market. Chi-square of goodness of fit and cross-tabulation were employed

to interpret the data. Chi-square of goodness of fit was used to determine whether the observed frequencies are different from those expected. It is assumed that:

The null hypothesis is: there are approximately equal numbers of cases in each group, and the alternate hypothesis is: there are not equal numbers of cases in each group.

Table 7.27 Chi-Square of Goodness of Fit for Administrative Variables

	Initial Application	Application Procedures	Approval Time
Chi-Square(a,b)	53.676	66.382	13.912
Df	2	2	4
Asymp. Sig.	0.000	0.000	0.008

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.7.
b 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 13.6.

The chi-square value (see table 7.27) for the initial application factor is 53.676 and 66.382 for application procedures on two degree of freedom. Furthermore, the chi-square value for approval time is 13.912 on four degree of freedom. The P value for the first two factors is 0.000, and 0.008 for the last factor. Because the observed P was less than alpha (alpha = 0.05), the results were considered statistically significant for all factors of the administrative and organisational variables. This means that the cells of a contingency table should be interpreted by using cross tabulation tables.

As discussed in chapter five the majority of local and foreign investors expressed their dissatisfaction with the number of documents required to gain approval for investing in Libya required as well as the time taken to process these documents which averaged 2.8971 or almost three months. In terms of number of documents required companies fully owned by foreign investors appear to suffer the most in relation to the processing of their applications for investment in Libya. Likewise in relation to the time required for approval, the majority of foreign company representatives stated that they had to wait for between three to four months for their licenses to be issued as compared with one to two months for their local counterparts. However, positively the situation is improving for both foreign and local companies in relation to the number of and time required for processing the documents required for investment. However, companies which are relatively new in Libya face longer delays than companies with a longer track record in Libya.

7.4.1 Initial Application

The results on table 7.28 indicate that the majority of representatives of both types of ownership of companies expressed discontent with the initial application process, particularly joint companies where the figure was 78.6%, while 58.3% of companies fully owned by foreign investors expressed dissatisfaction. From the foregoing, it can be concluded the level of dissatisfaction for joint companies exceeds the average of 16.2% in comparison to companies which are fully owned by foreign investors where the level of dissatisfaction is below the average of 75.0%. Consequently it can be maintained that both foreign companies have difficulties regarding the required documentation.

Table 7.28 Cross Tabulation of Company Ownership and Initial Application

			Initial Application			Total
			Satisfied	Not sure	Dissatisfied	
Ownership	Joint	Number	10	2	44	56
		%	17.9%	3.6%	78.6%	100.0%
	Foreign	Number	1	4	7	12
		%	8.3%	33.3%	58.3%	100.0%
Total		**Number**	**11**	**6**	**51**	**68**
		%	**16.2%**	**8.8%**	**75.0%**	**100.0%**

Furthermore, it can be concluded from the data displayed in table 7.29 that respondents in all three sectors are unhappy, although at varying levels, with the number of documents required for investment in Libya. In this regard, the service sector appears to suffer the worst with the level of dissatisfaction standing at 85.7% as compared to the manufacturing sector with 70.3% of the representatives expressing dissatisfaction. The situation appears to be best for the agricultural sector with one-third of respondents expressing satisfaction.

By comparing the percentages with the average, it is apparent that the service sector is the least happy with the situation with a level of dissatisfaction of 85.7% which is above the average of 75.0%.

Table 7.29 Cross Tabulation of Company Sector and Initial Application

			Initial Application			Total
			Satisfied	Not sure	Dissatisfied	
Sector	Industry	Number	7	4	26	37
		%	18.9%	10.8%	70.3%	100.0%
	Services	Number	3	1	24	28
		%	10.7%	3.6%	85.7%	100.0%
	Agriculture	Number	1	1	1	3
		%	33.3%	33.3%	33.3%	100.0%
Total		**Number**	**11**	**6**	**51**	**68**
		%	**16.2%**	**8.8%**	**75.0%**	**100.0%**

Table 7.30 demonstrates the level of satisfaction of foreign companies according to length of experience in Libya in relation to the required documentation for investment in Libya. It can be inferred that the majority of respondents were not satisfied with the number of documents required, and that the level of discontent decreases as the length of experience in Libya increases. In this context, for companies that are relatively new arrivals in Libya 80.0% of respondents expressed dissatisfaction, as compared to 68.0% for companies with a relatively moderate experience and 66.7% for companies with a relatively long business experience. It is apparent that in case of companies which are relatively new in Libya the situation is worse as they show a level of satisfaction which is above the average of 75.0%.

Table 7.30 Cross Tabulation of Company Duration and Initial Application

			Initial Application			Total
			Satisfied	Not sure	Dissatisfied	
Experience	**Less than 2 years**	Number	5	3	32	40
		%	12.5%	7.5%	80.0%	100.0%
	2-4 years	Number	6	2	17	25
		%	24.0%	8.0%	68.0%	100.0%
	More than 4 years	Number	0	1	2	3
		%	0.0%	33.3%	66.7%	100.0%
Total		**Number**	**11**	**6**	**51**	**68**
		%	**16.2%**	**8.8%**	**75.0%**	**100.0%**

7.4.2 Application Procedures

Table 7.31 highlights the level of satisfaction of representatives featuring the two types of ownership of companies in relation to the way in which their investment applications were processed. The data reveals that the majority of representatives are unhappy with the processing procedures. For example, for companies fully owned by foreign investors, which are the worst affected, 83.3% of the representatives expressed discontent, while for joint companies is was 78.6%. The position becomes clear from the level of dissatisfaction of the former which stands well above the average of 79.4%.

Table 7.31 Cross Tabulation of Company Ownership and Application Procedures

			Application Procedures			Total
			Satisfied	Not sure	Dissatisfied	
Ownership	**Joint**	Number	9	3	44	56
		%	16.1%	5.4%	78.6%	100.0%
	Foreign	Number	2	0	10	12
		%	16.7%	0.0%	83.3%	100.0%
Total		**Number**	**11**	**3**	**54**	**68**
		%	**16.2%**	**4.4%**	**79.4%**	**100.0%**

Table 7.32 demonstrates the level of satisfaction of FDI companies' representatives by sector with the processing of investment applications. The majority of the representatives are not satisfied with the way applications for FDI are processed. Importantly, service companies are the most affected with 82.1% of respondents expressing dissatisfaction with the processing procedures, while 78.4% of industrial companies are dissatisfied. However, the situation is better for the agricultural sector where only two-thirds o expressed discontent. These results are confirmed by comparing the level of satisfaction with the average as the results for the service sector stand well above the average of 79.4%.

Table 7.32 Cross Tabulation of Company Sector and Application Procedures

			Application Procedures			Total
			Satisfied	Not sure	Dissatisfied	
Sector	Industry	Number	6	2	29	37
		%	16.2%	5.4%	78.4%	100.0%
	Services	Number	4	1	23	28
		%	14.3%	3.6%	82.1%	100.0%
	Agriculture	Number	1	0	2	3
		%	33.3%	0.0%	66.7%	100.0%
Total		**Number**	**11**	**3**	**54**	**68**
		%	**16.2%**	**4.4%**	**79.4%**	**100.0%**

Table 7.33 shows that the level of satisfaction of respondents with the investment application processing procedures decreases with increasing business experience in Libya of the company. For example, in the case of companies which are relatively new in the business of investment in Libya the level of dissatisfaction stands at 82.5% dropping to 76.0% for companies with relatively moderate business experience and reaching its nadir of 66.7% for companies with relatively longer business experience in Libya.

Table 7.33 Cross Tabulation of Company Duration and Application Procedures

			Application Procedures			Total
			Satisfied	Not sure	Dissatisfied	
Experience	Less than 2 years	Number	6	1	33	40
		%	15.0%	2.5%	82.5%	100.0%
	2-4 years	Number	5	1	19	25
		%	20.0%	4.0%	76.0%	100.0%
	More than 4 years	Number	0	1	2	3
		%	0.0%	33.3%	66.7%	100.0%
Total		**Number**	**11**	**3**	**54**	**68**
		%	**16.2%**	**4.4%**	**79.4%**	**100.0%**

The results shown in table 7.33 indicate that the situation is worst for companies with less than two years of business experience in Libya with 82.5% of the

respondents expressing their dissatisfaction with the procedures which is well above the average of 79.4%.

7.4.3 Approval Time

Table 7.34 demonstrates that the period the company has to wait before being licensed for investment in terms of company ownership. As far as joint companies are concerned 10.7% of respondents stated they obtained their license in under one month, while 37.5% had their licences issued within a period of one month to two months, 16.1% between two and three months, 25.0% between three and four months and 10.7% say that they had to wait for more than four months.

Table 7.34 Cross Tabulation of Company Ownership and Approval Time

			Approval Time					Total
			Less than 1 month	1 - 2 months	2-3 months	3-4 months	4+ months	
Ownership	Joint	Number	6	21	9	14	6	56
		%	10.7%	37.5%	16.1%	25.0%	10.7%	100.0%
	Foreign	Number	2	1	4	5	0	12
		%	16.7%	8.3%	33.3%	41.7%	0.0%	100.0%
Total		**Number**	**8**	**22**	**13**	**19**	**6**	**68**
		%	**11.8%**	**32.4%**	**19.1%**	**27.9%**	**8.8%**	**100.0%**

In relation to companies fully owned by foreigners 16.7% of the representatives stated they obtained their licence in less than one month, 8.3% within a period of more than one month but less than two months, 33.3% between two and three months and 41.7% for a period ranging between three to four months.

Table 7.35 shows the licensing period in terms of company sector. For example, in cases involving manufacturing companies 13.5% of the respondents stated that they obtained their licenses in less than one month while 35.1% obtained their licences within a period of between one and two months, 13.5% between two and three months, 29.7% between three and four months and 8.1 % waited over four months.

In the service sector 10.7% of the representatives stated that they obtained their licences within one month, 25.0% between one month and two months, another 25.0% within two to three months, 28.6% had to wait for a period ranging between three and four months while 10.7% had to wait for four months or more.

In the agricultural sector two-thirds of respondents obtained their licences within a period of time ranging between one and two months, while the remaining one-third of licences was issued between two to three months.

Table 7.35 Cross Tabulation of Company Sector and Approval Time

			Approval Time					Total
			Less than 1 month	1-2 months	2-3 months	3-4 months	4+ months	
Sector	Industry	Number	5	13	5	11	3	37
		%	13.5%	35.1%	13.5%	29.7%	8.1%	100.0%
	Services	Number	3	7	7	8	3	28
		%	10.7%	25.0%	25.0%	28.6%	10.7%	100.0%
	Agriculture	Number	0	2	1	0	0	3
		%	0.0%	66.7%	33.3%	0.0%	0.0%	100.0%
Total		**Number**	**8**	**22**	**13**	**19**	**6**	**68**
		%	**11.8%**	**32.4%**	**19.1%**	**27.9%**	**8.8%**	**100.0%**

Table 7.36 indicates the time required for licensing in terms of operational status of the company involved, from which it can be concluded that 17.4% of the companies in the process of being established obtained their licenses within a period of less than one month, while 26.1% had to wait for between one month to two months, 21.7% between two and three months, 21.7% between three and four months and 13.0% over four months.

However, in the case companies which are already established, 8.9% of the representatives obtained their licences with a one month period compared to 35.6% between one month and two months, 17.8% between two and three months, 31.1% between three and four months and 6.7% had to wait for a period of four months or more.

Table 7.36 Cross Tabulation of the Status of the Project and Approval Time

			Approval Time					Total
			Less than 1 month	1-2 months	2-3 months	3-4 months	4+ months	
Status	Being established	Number	4	6	5	5	3	23
		%	17.4%	26.1%	21.7%	21.7%	13.0%	100.0%
	In operation	Number	4	16	8	14	3	45
		%	8.9%	35.6%	17.8%	31.1%	6.7%	100.0%
Total		**Number**	**8**	**22**	**13**	**19**	**6**	**68**
		%	**11.8%**	**32.4%**	**19.1%**	**27.9%**	**8.8%**	**100.0%**

Table 7.37 illustrates the licensing period in terms of company experience in Libya. It can be seen that 10.0% of companies which are relatively new in Libya had

their licences issued in less than one month, 25.0% between one month and two months, 30.0% two to three months, 30.0% between three and four months, while 5.0% had to wait for four months or more. By contrast for companies with relatively moderate experience 16.0% obtained their licences in less than one month, 36.0% between one month and two months, 4.0% within two to three months, 28.0% within three to four months and 16.0% had to wait for four months or more.

Table 7.37 Cross Tabulation of Company Duration and Approval Time

			Approval Time					Total
			Less than 1 month	1-2 months	2-3 months	3-4 months	4+ months	
Experience	**Less than 2 years**	Number	4	10	12	12	2	40
		%	10.0%	25.0%	30.0%	30.0%	5.0%	100.0%
	2-4 years	Number	4	9	1	7	4	25
		%	16.0%	36.0%	4.0%	28.0%	16.0%	100.0%
	More than 4 years	Number	0	3	0	0	0	3
		%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
Total		**Number**	**8**	**22**	**13**	**19**	**6**	**68**
		%	**11.8%**	**32.4%**	**19.1%**	**27.9%**	**8.8%**	**100.0%**

As for companies with a relatively long business experience in Libya, all company representatives stated that they obtained their licences within a period of one month to two months.

7.5. SUMMARY

It can, thus, be concluded that the foreign and joint companies face a number of difficulties exist in relation to the investment climate in Libya. In terms of social and political factors, the majority of company representatives expressed their satisfaction with the situation in relation to the levels of crime. Positively, high levels of satisfaction were experienced in all sectors apart from the agricultural sector in which one third of the representatives expressed their dissatisfaction. The same could be said about the highly populated counties in which investment activity is relatively more intense, apart from Benghazi in which one-tenth of representatives expressed dissatisfaction. However negatively, the overall situation is deteriorating.

Entry visa into Libya is another aspect where most of the representatives expressed their satisfaction with the required procedures. Positively, a high level of satisfaction was found among representatives of long-serving companies in Libya as compared with companies which are relatively new. In addition, satisfaction levels were consistently high across the different locations, even in those counties with

intensive investment activity. The agriculture sector was the only in which dissatisfaction was a concern; one-third of respondents expressed this view

However, the majority of respondents expressed their dissatisfaction with institutional stability in relation to laws and regulations in Libya. Furthermore, the level of dissatisfaction increases among representatives of joint ventures, while the situation is even worse for service sector companies. Likewise in the case of counties such as Tripoli and Benghazi where investment activity is more intense and public institutions are more numerous, the level of dissatisfaction was higher. In Al-Jfara county there was also greater dissatisfaction. Finally, in this context a positive relationship between the level of dissatisfaction and length business experience can be drawn.

In terms of economic and financial matters, there were considerable variations amongst the respondents across the different variables. The respondents expressed satisfaction with the procedures associated with transferring capital into the country and other accounting matters, but were less satisfied with other procedures such as transferring money out of the country and the auditing procedures. In relation to importing capital, companies with longer involvement in Libya were less satisfied with the procedures than their counterparts from companies that are relatively new to the country. The situation is reversed in relation to accounting procedures with companies with a longer business experience, whether in Libya or elsewhere, more satisfied than their counterparts from companies which are relatively new in the realm of investing abroad. In terms of transferring funds out of the country, companies with more foreign business experience were more satisfied than companies with less foreign investment experience. However, the reverse was found to be the case in relation to auditing standards.

With regard to administrative and organisational concerns, the majority of local and foreign investors expressed their dissatisfaction with the number of documents required to gain approval for investing in Libya, as well as the time taken to process these documents which averaged almost three months. In terms of number of documents required companies fully owned by foreign investors expressed higher levels of dissatisfaction than other companies. In relation to the time required for approval, the majority of foreign company representatives stated that they had to wait for between three to four months for their licenses to be issued as compared with one to two months for joint-owned companies. However, positively the situation was

found to be improving for both foreign and joint companies in relation to the number of and time required for processing the documents required for investment. Nevertheless, companies which are relatively new in Libya face longer delays than companies with a longer track record in the country.

CHAPTER EIGHT
EXPLORING THE LEGAL GUARANTEES AND PROPOSED POLICES IN LIBYA IN RELATION TO FDI

8.1 INTRODUCTION

This chapter focuses on the interpretation of the data acquired from the survey featuring foreign and joint companies in relation to legal guarantees provided and proposed policies in the Libyan regulative and business environment.

To analyse the obstacles in attracting FDI to Libya related to legal guarantees five independent variables were selected, namely: the respondent's position in the company; company ownership, sector, the operational status of the project, and finally company business experience in Libya. The questionnaire also included four dependent variables in relation to the legal guarantees and seven independent variables associated with the proposed policies.

The chapter includes two major sections in addition to the introduction and conclusion. The first of which analyses the main barriers with respect to the legal guarantees, while the second assesses the proposed polices in the opinion of the representatives of the foreign and joint companies.

8.2 OBSTACLES REGARDING LEGAL GUARANTEES

The section discusses the barriers to attracting FDI in relation to the legal guarantees featured in the survey. In this regard, three variables are used: company ownership; sector; and length of business experience within the Libyan market. The legal guarantees that are considered relevant to foreign and joint companies are in areas of land ownership, nationalisation, the transfer of profits and tax exemptions. Chi-square and cross tabulation were employed to interpret the data collected from the survey.

Initially chi-square of goodness of fit was employed to determine if the observed frequencies are different from what we would expect to find. It is assumed that:

The null hypothesis is: There are approximately equal numbers of cases in each group, and the alternate hypothesis is: There not equal numbers of cases in each group.

Table 8.1 Chi-Square of Goodness of Fit for Legal Guarantees Variables

	Land Ownership	Nationalisation	Tax Exemption	Transfer of Profits
Chi-Square(a,b,c)	37.441	21.522	73.882	15.909
Df	2	2	2	2
Asymp. Sig.	0.000	0.000	0.000	0.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.7.
b 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.3.
c 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.0.

The chi-square value was 37.441 for land ownership, 21.522 for nationalisation, 73.882 for tax exemption and 15.909 for transfer of profits (see table 8.1). In addition, the P value was 0.000 for all variables thus the observed P was less than alpha (alpha = 0.05), and hence the results are considered statistically significant. Thus, this means that the cells of a contingency table should be interpreted by using cross tabulation tables.

As has already been discussed in chapter five the majority of company representatives are unhappy with a number of the guarantees given to investors particularly in relation to land ownership and nationalisation. However, the majority of the respondents are happy with the regulations concerning tax exemptions and transfer of profits.

From the analysis in the following sections, it can be inferred that the majority of the respondents expressed their dissatisfaction with the guarantees given in relation to land ownership. However, it appears companies which are fully owned by foreign investors, particularly those in the service sector, are the most affected. Generally speaking companies become less affected as their business experience in Libya increases.

It can be further concluded that the majority of the representatives expressed dissatisfaction with the nationalisation guarantees. However, it appears that foreign and joint companies in the service sector are worried about nationalisation issues than other companies. Negatively the level of dissatisfaction increases with increasing business experience of the companies involved in Libya.

Positively, it can be concluded that the majority of the respondents were happy with the tax exemptions. However, foreign companies, particularly those operating in

the service sector, suffer the most. Nevertheless positively, the level of satisfaction rises in relation to the business experience of the company in Libya. Furthermore, the majority of the representatives, irrespective of the company ownership, appear to be satisfied with the guarantees given to them in relation with the transfer of profits abroad. However, companies associated with the manufacturing sector are the least happy with those guarantees. Nonetheless positively, the level of satisfaction rises with the length of experience in Libya.

8.2.1 Land Ownership Guarantees

Table 8.2 depicts the level of satisfaction of company representatives with respect to land ownership in terms of company ownership. As can be seen, the majority of foreign and joint company respondents expressed their dissatisfaction. 66.1% of joint companies expressed their dissatisfaction, while three-quarters of companies which are fully owned by foreign investors were also dissatisfied.

Table 8.2 Cross Tabulation of Company Ownership and Land Ownership

			Land Ownership			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Company Ownership	**Joint**	Number	12	7	37	56
		%	21.4%	12.5%	66.1%	100.0%
	Foreign	Number	3	0	9	12
		%	25.0%	0.0%	75.0%	100.0%
Total		**Number**	**15**	**7**	**46**	**68**
		%	**22.1%**	**10.3%**	**67.6%**	**100.0%**

Table 8.3 displays the level of satisfaction of representatives with the guarantees concerning land ownership in terms of company sector. It can be concluded that the majority expressed their discontent in relation to these guarantees. In the service sector 71.4% expressed dissatisfaction, while in the agricultural sector two-thirds were dissatisfaction and in the manufacturing sector it was 64.9%. It can be concluded that companies in the service sector suffer the most, as the level of discontent exceeds the average of 67.6%.

Table 8.3 Cross Tabulation of Company Sector and Land Ownership

			Land Ownership			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Sector	**Industry**	Number	9	4	24	37
		%	24.3%	10.8%	64.9%	100.0%
	Services	Number	5	3	20	28
		%	17.9%	10.7%	71.4%	100.0%
	Agriculture	Number	1	0	2	3
		%	33.3%	0.0%	66.7%	100.0%
Total		**Number**	**15**	**7**	**46**	**68**
		%	**22.1%**	**10.3%**	**67.6%**	**100.0%**

Table 8.4 highlights the level of satisfaction of respondents with land ownership guarantees in relation to length of company experience in Libya. There is a close similarity between companies regardless of experience as seen by the scores of 67.5%, 68.0% and 66.7% for companies which are relatively new in the business, companies with moderate business experience and companies with relatively long business experience in Libya respectively. Thus, the level of satisfaction does not correlate with the length of business experience.

Table 8.4 Cross Tabulation of Company Duration and Land Ownership

			Land Ownership			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Experience	**Less than 2 years**	Number	9	4	27	40
		%	22.5%	10.0%	67.5%	100.0%
	2-4 years	Number	6	2	17	25
		%	24.0%	8.0%	68.0%	100.0%
	More than 4 years	Number	0	1	2	3
		%	0.0%	33.3%	66.7%	100.0%
Total		**Number**	**15**	**7**	**46**	**68**
		%	**22.1%**	**10.3%**	**67.6%**	**100.0%**

8.2.2 Nationalisation Guarantees

Table 8.5 depicts the level of satisfaction with the nationalisation guarantees given in terms of company ownership. The majority of investors expressed their dissatisfaction with those guarantees, with the situation being worse in cases where joint companies are involved. In this regard, 61.8% of representatives of joint companies expressed dissatisfaction while 50.0% of companies fully owned by foreign investors expressed dissatisfaction on the matter. Thus joint companies are less happy than companies fully owned by foreigners as the former show a level of discontent higher than the average of 59.7%.

Table 8.5 Cross Tabulation of Company Ownership and Nationalisation

			Nationalisation			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Ownership	**Joint**	Number	12	9	34	55
		%	21.8%	16.4%	61.8%	100.0%
	Foreign	Number	4	2	6	12
		%	33.3%	16.7%	50.0%	100.0%
Total		**Number**	**16**	**11**	**40**	**67**
		%	**23.9%**	**16.4%**	**59.7%**	**100.0%**

A relationship can be established between the level of satisfaction in relation to the nationalisation guarantees and company sector. As the findings displayed in

table 8.6 suggest the majority of representatives are dissatisfied, with the level of discontent being higher among companies associated with the service sector. In this context, 71.4% of the service sector respondents expressed their dissatisfaction. By contrast 52.5% of the respondents from the manufacturing sector expressed dissatisfaction, while 33.3% of the representatives from agriculture sector expressed their dissatisfaction with the nationalisation guarantees given to them. As companies in the service sector show a level of dissatisfaction which is higher than the average of 59.7%, it can be concluded that these companies suffer the most.

Table 8.6 Cross Tabulation of Company Sector and Nationalisation

			Nationalisation			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Sector	**Industry**	Number	9	8	19	36
		%	25.0%	22.2%	52.8%	100.0%
	Services	Number	6	2	20	28
		%	21.4%	7.1%	71.4%	100.0%
	Agriculture	Number	1	1	1	3
		%	33.3%	33.3%	33.3%	100.0%
Total		**Number**	**16**	**11**	**40**	**67**
		%	**23.9%**	**16.4%**	**59.7%**	**100.0%**

Table 8.7 highlights the relationship between the length of company experience in Libya and the level of satisfaction of the representatives in relation to nationalisation guarantees given. From the information, that the majority of respondents are dissatisfied, and that the level of dissatisfaction increasing with increasing business experience of the company involved. Thus for companies that are relatively new in Libya the level of dissatisfaction stands at 57.5%, increasing to 62.5% for companies with a relatively moderate business experience, and reaches its zenith for companies with a relatively long business experience where two-thirds of the representatives expressed their dissatisfaction.

Table 8.7 Cross Tabulation of Company Duration and Nationalisation

			Nationalisation			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Experience	**Less than 2 years**	Number	11	6	23	40
		%	27.5%	15.0%	57.5%	100.0%
	2-4 years	Number	5	4	15	24
		%	20.8%	16.7%	62.5%	100.0%
	More than 4 years	Number	0	1	2	3
		%	0.0%	33.3%	66.7%	100.0%
Total		**Number**	**16**	**11**	**40**	**67**
		%	**23.9%**	**16.4%**	**59.7%**	**100.0%**

8.2.3 Tax Exemption Guarantees

Table 8.8 shows the level of satisfaction of representatives with the tax exemptions given in relation to company ownership. As can be seen, the majority of representatives expressed their satisfaction, but the satisfaction level of companies fully owned by foreign investors is less than that of joint companies. In case of the joint companies 85.7% of the representatives expressed their satisfaction, while two-thirds of companies fully owned by foreign investors expressed their satisfaction.

Table 8.8 Cross Tabulation of Company Ownership and Tax Exemption

			Tax Exemption			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Ownership	**Joint**	Number	48	2	6	56
		%	85.7%	3.6%	10.7%	100.0%
	Foreign	Number	8	2	2	12
		%	66.7%	16.7%	16.7%	100.0%
Total		**Number**	**56**	**4**	**8**	**68**
		%	**82.4%**	**5.9%**	**11.8%**	**100.0%**

Table 8.9 shows the level of satisfaction with the tax exemption in relation to company sector. The majority of representatives appear to be happy with the position in relation to tax exemptions. For example, in case of the agricultural sector all representatives expressed their satisfaction, compared to 83.8% in the manufacturing sector and 78.6% in the service sector.

It appears that the service sector companies suffer the most in relation to tax exemption policies as this sector has a level of satisfaction well below the average of 82.4%, with a level of dissatisfaction above the average of 11.8%.

Table 8.9 Cross Tabulation of Company Sector and Tax Exemption

			Tax Exemption			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Sector	**Industry**	Number	31	2	4	37
		%	83.8%	5.4%	10.8%	100.0%
	Services	Number	22	2	4	28
		%	78.6%	7.1%	14.3%	100.0%
	Agriculture	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**56**	**4**	**8**	**68**
		%	**82.4%**	**5.9%**	**11.8%**	**100.0%**

Table 8.10 shows the level of satisfaction of the representatives with tax exemptions in relation to the length of business experience in Libya. For companies which are relatively new in Libya 85.0% of the representatives expressed their

satisfaction with the tax exemptions given to them. However, for companies with relatively moderate business experience the level fell to 76.0%. As for companies with long business experience of investment in Libya, all respondents were happy about the tax exemptions.

Table 8.10 Cross Tabulation of Company Duration and Tax Exemption

			Tax Exemption			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Experience	**Less than 2 years**	Number	34	3	3	40
		%	85.0%	7.5%	7.5%	100.0%
	2-4 years	Number	19	1	5	25
		%	76.0%	4.0%	20.0%	100.0%
	More than 4 years	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**56**	**4**	**8**	**68**
		%	**82.4%**	**5.9%**	**11.8%**	**100.0%**

From table 8.10, it can be inferred that the level of satisfaction with the tax exemption is higher for companies with long experience than those which are relatively new, which provides an indicator that the tax exemptions guarantees are heading in the right direction.

8.2.4 Transfer of Profits

Table 8.11 provides the data regarding the level of satisfaction with the guarantees given in relation to the transfer of profits abroad in terms of company ownership. The majority of respondents from both categories expressed their satisfaction with the guarantees given to them: 51.9% of the representatives of joint companies expressed their satisfaction, while by contrast in case of companies fully owned by foreign investors three-quarters expressed their satisfaction.

Table 8.11 Cross Tabulation of Company Ownership and Transfer of Profits

			Transfer of Profits			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Ownership	**Joint**	Number	28	17	9	54
		%	51.9%	31.5%	16.7%	100.0%
	Foreign	Number	9	0	3	12
		%	75.0%	0.0%	25.0%	100.0%
Total		**Number**	**37**	**17**	**12**	**66**
		%	**56.1%**	**25.8%**	**18.2%**	**100.0%**

A simple comparison reveals that the level of satisfaction among companies fully owned by foreign investors is higher than the average which stands at 56.1%. On

the other hand, the level of dissatisfaction among representatives of companies that are fully owned by foreign investors is higher the average which stands at 18.2%.

Table 8.12 highlights the relationship between the level of satisfaction with the guarantees given in relation to the transfer of profits abroad and company sector. For companies in the manufacturing sector, half of the respondents expressed their satisfaction with the guarantees given, while in the service sector it was 59.3% and 100.0% in the agricultural sector.

Table 8.12 Cross Tabulation of Company Sector and Transfer of Profits

			Transfer of Profits			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Sector	**Industry**	Number	18	11	7	36
		%	50.0%	30.6%	19.4%	100.0%
	Services	Number	16	6	5	27
		%	59.3%	22.2%	18.5%	100.0%
	Agriculture	Number	3	0	0	3
		%	100.0%	0.0%	0.0%	100.0%
Total		**Number**	**37**	**17**	**12**	**66**
		%	**56.1%**	**25.8%**	**18.2%**	**100.0%**

As the results indicate, companies of the manufacturing sector suffer the most in relation to the transfer of profits abroad with a level of satisfaction of 50.0% which is well below the average of 56.1%.

The data in table 8.13 establishes a relationship between the length of business experience in Libya and the level of satisfaction of the representatives with the guarantees given to them regarding the transfer of profits abroad. The information shows that 59.0% of companies that are relatively new in Libya expressed their satisfaction. By contrast for companies with relatively moderate experience, one half of the representatives stated that they are satisfied, while for companies with relatively long experience two-thirds of the representatives expressed their satisfaction about the matter.

Table 8.13 Cross Tabulation of Company Duration and Transfer of Profits

			Transfer of Profits			
			Satisfied	**Not sure**	**Dissatisfied**	**Total**
Experience	**Less than 2 years**	Number	23	9	7	39
		%	59.0%	23.1%	17.9%	100.0%
	2-4 years	Number	12	7	5	24
		%	50.0%	29.2%	20.8%	100.0%
	More than 4 years	Number	2	1	0	3
		%	66.7%	33.3%	0.0%	100.0%
Total		**Number**	**37**	**17**	**12**	**66**
		%	**56.1%**	**25.8%**	**18.2%**	**100.0%**

8.3 PROPOSED POLICIES FOR ATTRACTING FDI

This section discusses the proposed policies aiming at attracting more FDI in Libyan business environment. Two independent variables are used from the survey: the respondent's position in the company and length of company experience in Libya. The dependent variables investigated in relation to the proposed policies are: the establishment of further industrial free zone; reducing the capital required to be invested; easing administrative procedures; allocation of land; improving infrastructure; establishing an investment map; and placing greater emphasis on human resource development.

As already highlighted in chapter five investors consider that these the policies vary in significance. In their opinion simplifying administrative procedures, improving human resources and infrastructure and the establishment of more industrial free zones should have top priority. Also, the allocation of land for FDI within the framework of an investment map is deemed paramount. However, lowering the capital required to be invested comes at the bottom of priorities for investors.

Chi-square of goodness of fit was employed to determine if the observed frequencies are different from what we would expect to find. It is assumed that:

> The null hypothesis is: There are approximately equal numbers of cases in each group, and the alternative hypothesis is: There not equal numbers of cases in each group.

Table 8.14 Chi-Square of Goodness of Fit for Proposed Policies

Variables	Chi-Square(a,b)	df	Asymp. Sig.
Establishment of Industrial Free Zones	58.418	2	0.000
Reducing the Capital Required	15.382	2	0.000
Simplifying Administrative Procedures	102.735	2	0.000
Allocation of Land	25.088	2	0.000
Improving the Infrastructure	61.821	2	0.000
Providing Business Maps for Potential Investment Projects	26.273	2	0.000
Improving Human Resources	64.618	2	0.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.3.
b 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.0.
c 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 22.7.

Table 8.14 shows the chi-square result for seven different proposed policy variables. The chi-square value was 58.418 for establishment of further industrial free

zones, 15.382 for reducing the capital required, 102.735 for simplifying administrative procedures, 25.088 for allocation of land, 61.821 for improving infrastructure, 26.273 for providing a business map and 64.618 for improving human resources on two degrees of freedom, and the P value for all factors was 0.000. Because the observed P was less than alpha (alpha = 0.05), the results were considered statistically significant. This means that the cells of a contingency table should be interpreted by using cross tabulation tables.

From the findings discussed below it can be concluded that the majority of representatives are in favour of the proposed policies apart from the reduction of the capital required for investment in Libya. However, support for the proposed policies varies according to the position held. From a rank perspective, it was found that heads of the board of directors as well as general directors are in favour of policies featuring the easing of administrative procedures, the allocation of land and focusing on human resources, while they remain undecided about the feasibility of policies featuring the establishment of industrial free zones, reducing the ceiling on investment capital, the improvement of infrastructure and the establishment of an investment map.

In terms of length of presence in Libya, companies with relatively long business experience gave more support to a number of policies in comparison to their less experienced counterparts. This is the case for policies featuring the establishment of industrial free zones, easing administrative procedures and focusing on human resources. In contrast companies with relatively less business experience are mainly concerned with reducing the capital ceiling, allocating land, improving the infrastructure and establishing an investment map.

8.3.1 Establishment of Industrial Free Zones

Table 8.15 highlights the relationship between the respondent's job position and their appreciation of the policies to establish more industrial free zones in order to boost FDI inflows into Libya. The majority of respondents considered this policy to be helpful in this context. Interestingly, support is greater among lower ranking positions with 85.7% of head of the departments in support, falling to 80.0% among heads of administration and 77.8% for the heads of the boards of directors and 66.6% for general directors.

Table 8.15 Cross Tabulation of Individual Position and Establishing Industrial Free Zones

			Establishing Industrial Free Zones			
			Not at all helpful	Fairly helpful	Helpful	Total
Position	**Board Chairman**	Number	1	5	21	27
		%	3.7%	18.5%	77.8%	100.0%
	General Director	Number	0	7	16	23
		%	0.0%	30.4%	69.6%	100.0%
	Head of Administration	Number	1	1	8	10
		%	10.0%	10.0%	80.0%	100.0%
	Head of Department	Number	0	1	6	7
		%	0.0%	14.3%	85.7%	100.0%
Total		**Number**	**2**	**14**	**51**	**67**
		%	**3.0%**	**20.9%**	**76.1%**	**100.0%**

Additionally, the level of uncertainty over the potential success of this policy is higher among the heads of the boards of directors as well as the general directors compared to the lower ranking officials. To be more precise 18.5% of the heads of the boards of directors and 30.4% of the general directors are uncertain compared to 14.3% of the heads of departments and 10.0% of the heads of administration.

Table 8.16 indicates that the majority of foreign investors believe that policies to establish of industrial free zones tend to improve the environment for investment in Libya. 100% of respondents with lengthy business experience in Libya deem such policies helpful. Furthermore, 80.0% of representatives of companies with a relatively moderate business experience believe that this policy is helpful while 8.0% believe it is not and 12.0% are undecided. In the case of companies that are a relatively new presence in Libya 71.8% perceive this policy as being helpful while 28.2% remain undecided.

Table 8.16 Cross Tabulation of Company Duration and Establishing Industrial Free Zones

			Establishing Industrial Free Zones			
			Not Helpful	Fairly Helpful	Helpful	Total
Experience	**Less than 2 years**	Number	0	11	28	39
		%	0.0%	28.2%	71.8%	100.0%
	2-4 years	Number	2	3	20	25
		%	8.0%	12.0%	80.0%	100.0%
	More than 4 years	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**2**	**14**	**51**	**67**
		%	**3.0%**	**20.9%**	**76.1%**	**100.0%**

8.3.2 Reducing the Ceiling on Investment Capital

In relation to the position of the respondents and their level of support for the reduction of capital required for investment in Libya in order to boost FDI inflows, it

can be seen from the table 8.17 that company representatives are divided on the matter. A significant number of representatives remain doubtful about the effectiveness of such a policy, with 29.6% of the chairs of the board of directors and 29.2% of general directors sceptical about the policy. Furthermore, 40.0% of the heads of administrations believe that such policy would not be successful, but by contrast only 14.3% of the heads of departments hold a similar view.

Table 8.17 Cross Tabulation of Individual Position Job and Reducing the Minimum Capital Required

			Reducing the Minimum Capital Required			
			Not Helpful	Fairly Helpful	Helpful	Total
Position	**Board Chairman**	Number	8	15	4	27
		%	29.6%	55.6%	14.8%	100.0%
	General Director	Number	7	13	4	24
		%	29.2%	54.2%	16.7%	100.0%
	Head of Administration	Number	4	4	2	10
		%	40.0%	40.0%	20.0%	100.0%
	Head of Department	Number	1	5	1	7
		%	14.3%	71.4%	14.3%	100.0%
Total		**Number**	**20**	**37**	**11**	**68**
		%	**29.4%**	**54.4%**	**16.2%**	**100.0%**

The information in table 8.18 indicates that one-third of the representatives of company with relatively long business experience of investment in Libya believe that reducing the ceiling on the capital levels would not be helpful while another one-third remain undecided about the matter. 16.0% of respondents from companies with a relatively moderate business experience in Libya 16.0% consider such a policy helpful while 64.0% remain undecided, and 20.0% believe that the policy would not be helpful. Meanwhile, in the case of companies that are relatively new to Libya 17.5% believe that such policy is worthwhile, 32.5% consider it is not helpful, and 50.0% remain undecided.

Table 8.18 Cross Tabulation of Company Duration and Reducing the Minimum Capital Required

			Reducing the Minimum Capital Required			
			Not Helpful	Fairly Helpful	Helpful	Total
Experience	**Less than 2 years**	Number	13	20	7	40
		%	32.5%	50.0%	17.5%	100.0%
	2-4 years	Number	5	16	4	25
		%	20.0%	64.0%	16.0%	100.0%
	More than 4 years	Number	2	1	0	3
		%	66.7%	33.3%	0.0%	100.0%
Total		**Number**	**20**	**37**	**11**	**68**
		%	**29.4%**	**54.4%**	**16.2%**	**100.0%**

8.3.3 Simplifying Administrative Procedures

From the information displayed in table 8.19, it can be seen that a large percentage of the representatives believe that simplifying administrative procedures would be effective in attracting FDI inflows.

Importantly, this view becomes more significant in relations to the rank of the respondents with 96.3% of the chairs of the boards considering such a policy to be effective. Moreover, 91.7% of the general directors, 90.0% of the heads of administrations and 71.4% of the heads of departments the same view.

Table 8.19 Cross Tabulation of Individual Position and Simplifying Administrative Procedures

			Simplifying Administrative Procedures			
			Not Helpful	Fairly Helpful	Helpful	Total
Position	**Board Chairman**	Number	0	1	26	27
		%	0.0%	3.7%	96.3%	100.0%
	General Director	Number	0	2	22	24
		%	0.0%	8.3%	91.7%	100.0%
	Head of Administration	Number	0	1	9	10
		%	0.0%	10.0%	90.0%	100.0%
	Head of Department	Number	1	1	5	7
		%	14.3%	14.3%	71.4%	100.0%
Total		**Number**	**1**	**5**	**62**	**68**
		%	**1.5%**	**7.4%**	**91.2%**	**100.0%**

In relation to the length of business experience in Libya, all representatives of companies with more than four years of business experience believe that such policy is effective and helpful (see table 8.20). For companies with business experience ranging between two to four years 92.0% of the representatives are in support of such a policy with 4.0% against and 4.0% undecided. In the case of companies that are relatively new to Libya 90.0% of the representatives are in favour of such a policy with 10.0% undecided on its effectiveness.

Table 8.20 Cross Tabulation of Company Duration and Simplifying Administrative Procedures

			Simplifying Administrative Procedures			
			Not Helpful	Fairly Helpful	Helpful	Total
Experience	**Less than 2 years**	Number	0	4	36	40
		%	0.0%	10.0%	90.0%	100.0%
	2-4 years	Number	1	1	23	25
		%	4.0%	4.0%	92.0%	100.0%
	More than 4 years	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**1**	**5**	**62**	**68**
		%	**1.5%**	**7.4%**	**91.2%**	**100.0%**

8.3.4 Simplifying Procedures Concerning the Allocation of Land

Table 8.21 shows that more than half of the representatives consider policies to assist with the allocation of land would be effective in increasing FDI inflows.

Table 8.21 Cross Tabulation of Individual Position and Allocation of Land

			Allocation of Land			
			Not Helpful	Fairly Helpful	Helpful	Total
Position	**Board Chairman**	Number	3	4	20	27
		%	11.1%	14.8%	74.1%	100.0%
	General Director	Number	6	5	13	24
		%	25.0%	20.8%	54.2%	100.0%
	Head of Administration	Number	2	3	5	10
		%	20.0%	30.0%	50.0%	100.0%
	Head of Department	Number	0	3	4	7
		%	0.0%	42.9%	57.1%	100.0%
Total		**Number**	**11**	**15**	**42**	**68**
		%	**16.2%**	**22.1%**	**61.8%**	**100.0%**

In this regard 74.1% of the chairs of the boards of directors, 54.2% of the general directors, 50.0% of the heads of administrations and 57.1% of the heads of department of the foreign companies operating in Libya are in favour of such a policy.

In terms of length of business experience in Libya it can be seen from table 8.22 that the majority of investors consider policies in relation to the allocation of land to be effective in improving the investment environment. This is particularly the case for companies with a relatively moderate business experience in Libya where 72.0% of the representatives are in favour of such policy, as compared to 57.5% of companies with relatively long business experience.

Table 8.22 Cross Tabulation of Company Duration and Allocation of Land

			Allocation of Land			
			Not Helpful	Fairly Helpful	Helpful	Total
Experience	**Less than 2 years**	Number	6	11	23	40
		%	15.0%	27.5%	57.5%	100.0%
	2-4 years	Number	4	3	18	25
		%	16.0%	12.0%	72.0%	100.0%
	More than 4 years	Number	1	1	1	3
		%	33.3%	33.3%	33.3%	100.0%
Total		**Number**	**11**	**15**	**42**	**68**
		%	**16.2%**	**22.1%**	**61.8%**	**100.0%**

However, a considerable percentage (33.3 %) of the representatives of companies with more than four years of business experience in Libya consider such policy to be infeasible as compared to 16.0% for companies with a relatively moderate experience and 15.0% for companies that are relatively new to Libya.

8.3.5 Improving the Infrastructure

In terms of the position of the representatives, table 8.23 indicates that the majority consider that improving the infrastructure would catalyse the process of attracting more FDI into the country. 81.5% of the chairs of the boards of directors, 73.9% of the general directors, 80.0% of the heads of administrations and 71.4% of the heads of departments are in favour of the policy. Furthermore, no one from the heads of the boards of directors group and the general directors group believe such a policy would not be encouraging or worthwhile to improve the Libyan business environment.

Table 8.23 Cross Tabulation of Individual Position and Improving the Infrastructure

			Improving the Infrastructure			
			Not Helpful	Not Sure	Helpful	Total
Position	**Board Chairman**	Number	0	5	22	27
		%	0.0%	18.5%	81.5%	100.0%
	General Director	Number	0	6	17	23
		%	0.0%	26.1%	73.9%	100.0%
	Head of Administration	Number	1	1	8	10
		%	10.0%	10.0%	80.0%	100.0%
	Head of Department	Number	1	1	5	7
		%	14.3%	14.3%	71.4%	100.0%
Total		**Number**	**2**	**13**	**52**	**67**
		%	**3.0%**	**19.4%**	**77.6%**	**100.0%**

In terms of length of business experience of the companies in Libya it appears from the information in table 8.24 that the majority of investors believe that policies to improve the infrastructure would help attract more foreign investment into Libya. In this respect 76.9 % of companies that are relatively new to Libya believe that such policy is helpful while 23.1% remain uncertain.

Table 8.24 Cross Tabulation: Company Duration and Improving the Infrastructure

			Improving the Infrastructure			
			Not Helpful	Not Sure	Helpful	Total
Experience	**Less than 2 years**	Number	0	9	30	39
		%	0.0%	23.1%	76.9%	100.0%
	2-4 years	Number	1	4	20	25
		%	4.0%	16.0%	80.0%	100.0%
	More than 4 years	Number	1	0	2	3
		%	33.3%	0.0%	66.7%	100.0%
Total		**Number**	**2**	**13**	**52**	**67**
		%	**3.0%**	**19.4%**	**77.6%**	**100.0%**

By contrast 80.0% of companies with a relatively moderate business experience consider such a policy worthwhile while 4.0% are not convinced and the

remaining 16.0% are uncertain about the outcome. In the case of companies with a relatively long business experience in Libya one-third of respondents deem such a policy helpful while another one-third considers it to be unhelpful.

8.3.6 Providing Business Maps

In terms of occupational status table 8.25 indicates that the participants have given varying responses in relation to establishing an investment map in order to help boost FDI inflows. 66.7% of the chairs of the boards of directors, 60.9% of the general directors and two-thirds of the heads of departments reckon that investment maps would attract more FDI into the country, whereas only 30.0% of the heads of administrations believe this is the case.

Table 8.25 Cross Tabulation of Individual Position and Providing Business Maps

			Providing Business Maps			
			Not Helpful	Not Sure	Helpful	Total
Position	Board Chairman	Number	0	9	18	27
		%	0.0%	33.3%	66.7%	100.0%
	General Director	Number	3	6	14	23
		%	13.0%	26.1%	60.9%	100.0%
	Head of Administration	Number	2	5	3	10
		%	20.0%	50.0%	30.0%	100.0%
	Head of Department	Number	0	2	4	6
		%	0.0%	33.3%	66.7%	100.0%
Total		**Number**	**5**	**22**	**39**	**66**
		%	**7.6%**	**33.3%**	**59.1%**	**100.0%**

In terms of length of business experience in Libya table 8.26 highlights that the majority of respondents believe that the investment map tends to attract more FDI into the country. In this context, 56.4% of companies that are relatively new to Libya believe that such policy tends to be helpful, while two-thirds of the representatives of companies with a relatively moderate business experience and one-third of the companies with a relatively long business experience hold similar beliefs.

Table 8.26 Cross Tabulation of Company Duration and Providing Business Maps

			Providing Business Maps			
			Not Helpful	Not Sure	Helpful	Total
Experience In Libya	Less than 2 years	Number	2	15	22	39
		%	5.1%	38.5%	56.4%	100.0%
	2-4 years	Number	2	6	16	24
		%	8.3%	25.0%	66.7%	100.0%
	More than 4 years	Number	1	1	1	3
		%	33.3%	33.3%	33.3%	100.0%
Total		**Number**	**5**	**22**	**39**	**66**
		%	**7.6%**	**33.3%**	**59.1%**	**100.0%**

In contrast the percentage of representatives who consider such policy does not encourage FDI inflows increases with the length of business experience of the companies involved in Libya. Only 5.1% of the representatives of companies that are relatively new to Libya believe such a policy is not encouraging compared to 8.3% of the representatives of companies with a relatively moderate business experience and one-third of companies with a relatively long business experience of investment in Libya.

8.3.7 Improving Human Resources

In terms of job position the majority of the representatives are of the view that a policy to improve the human resources in Libya will definitely lead to a positive outcome regarding the attraction of FDI into Libya. Table 8.27 shows that 81.5% of the chairs of the boards believe that giving more attention to the human element is crucial. Likewise, 80.0% of the general directors and 71.4% of the heads of departments believe the same.

Table 8.27 Cross Tabulation of Individual Position and Improving Human Resources

			Improving Human Resources			
			Not Helpful	Not Sure	Helpful	Total
Position	**Board Chairman**	Number	0	5	22	27
		%	0.0%	18.5%	81.5%	100.0%
	General Director	Number	0	6	18	24
		%	0.0%	25.0%	75.0%	100.0%
	Head of Administration	Number	1	1	8	10
		%	10.0%	10.0%	80.0%	100.0%
	Head of Department	Number	0	2	5	7
		%	0.0%	28.6%	71.4%	100.0%
Total		**Number**	**1**	**14**	**53**	**68**
		%	**1.5%**	**20.6%**	**77.9%**	**100.0%**

In terms of length of business experience in Libya table 8.28 highlights that such policies become more popular as the length of business experience in Libya increases. Thus, all representatives of companies with more than four years of experience in Libya are in favour of such a policy compared to 80.0% for companies with a relatively moderate business experience and 75.0% for companies that are relatively new.

Furthermore, only 4.0% of the representatives of foreign companies with a moderate experience in Libya tend to believe that such a policy would have a negative impact on the flow of investment capital into Libya. In addition, one-quarter of the

representatives of companies that are relatively new to Libya and 16.0% of those with relatively moderate experience remain unsure about the impact of such a policy on the movement of foreign investment into Libya.

Table 8.28 Cross Tabulation of Company Duration and Improving Human Resources

			Improving Human Resources			
			Not Helpful	Not Sure	Helpful	Total
Experience	**Less than 2 years**	Number	0	10	30	40
		%	0.0%	25.0%	75.0%	100.0%
	2-4 years	Number	1	4	20	25
		%	4.0%	16.0%	80.0%	100.0%
	More than 4 years	Number	0	0	3	3
		%	0.0%	0.0%	100.0%	100.0%
Total		**Number**	**1**	**14**	**53**	**68**
		%	**1.5%**	**20.6%**	**77.9%**	**100.0%**

8.4 SUMMARY

As the preceding discussion evidences, a number of difficulties exist regarding the guarantees given to investors. The majority of respondents expressed their dissatisfaction with the guarantees given in relation to land ownership. However, it appears companies which are fully owned by foreign investors, particularly those in the service sector, were the most affected. In general companies were less affected as their business experience in Libya increased. Also negatively the majority of respondents expressed dissatisfaction with the nationalisation guarantees and this increases with increasing business experience of the companies involved in Libya. Foreign and joint companies in the service sector were more worried about nationalisation issues than other companies.

Positively, the majority of the respondents were happy with the level of tax exemptions available. Furthermore, the level of satisfaction rises in relation to the business experience of the company in Libya. However, foreign companies, particularly those operating in the service sector, expressed the highest levels of dissatisfaction. Furthermore, the majority of the representatives, irrespective of company ownership, expressed satisfaction with the guarantees given to them in relation with the transfer of profits abroad. Also positively, the level of satisfaction rises with the length of experience in Libya. However, companies associated with the manufacturing sector were the least happy with those guarantees.

From the findings discussed, it can be concluded that the majority of representatives were in favour of the majority of policies proposed to improve the investment environment, thereby making it more attractive to FDI inflows. The only

policy not to receive high levels of support concerned the reduction of the capital required for investment in Libya. Interestingly, the research found that support for the proposed policies varies according to the position held. It was found that heads of board of directors and general directors were in favour of policies which eased administrative procedures, improved the allocation of land and focused on developing human resources, while they were undecided about the feasibility of establishing industrial free zones, reducing the ceiling on investment capital, improving the infrastructure and establishing an investment map. In terms of length of presence in Libya, companies with relatively long business experience gave more support to a number of policies than did their less experienced counterparts. This is the case for policies concerning the establishment of industrial free zones, easing administrative procedures and focusing on developing human resources. In contrast companies with relatively less business experience were mainly concerned with reducing the capital ceiling, allocating land, improving the infrastructure and establishing an investment map.

CHAPTER NINE
DISCUSSION OF THE MAIN RESEARCH FINDINGS PORTER MODEL AND SWOT ANALYSIS

9.1 INTRODUCTION

This chapter brings together the findings from the preceding chapters to provide an integrated and systematic understanding of the subject matter in a contextualised manner. The discussion of the results is an important step in scientific research linking the results with the general theme of the subject of research, and assesses the extent to which the study has contributed to and promoted knowledge of the relevant area of research. The chapter also includes a critical analysis of the findings of the study in the light of the results of previous studies and the theoretical framework of the study.

Apart from the introduction and conclusion this chapter includes eight sections. Sections two focuses on discussion of the research findings in relation to the obstacles and challenges associated with FDI in the area of human resources. Section three is discusses the research findings related to natural resources, while section four focuses on infrastructure elements as perceived by investors and senior Libyan officials. Sections five discusses the research findings concerning the obstacles and challenges pertaining to the investment climate in terms of social and political issues, while section six is concerned with economic and financial matters. In section seven the focus is on the administrative and organisational conditions. Sections eight and nine discuss the findings associated with the guarantees given to investors and the proposed investment policies respectively. Section ten summarises the research findings and categorises them as variables in nation's competitive advantage and SWOT models. Finally, section eleven summarise the contestations of the findings.

9.2 THE MAIN OBSTACLES IN RELATION TO HUMAN RESOURCES

The various theories in relation to development discussed previously focused on the pivotal role of the rapid accumulation of capital and other elements (Rosenstein-Rodan, 1943; Louis, 1954; Rostow, 1960; Leibenstein, 1957; Nurkse,

1943; Hayami, 1997; Bruton, 2001). However, despite the achievement of modern economic growth, these theories have been criticised as they focus on capital investment in cash or in kind (Sin, 1999). Thus while capital investment is an essential factor for economic growth, it is not the only prerequisite. In this regard economic development, unlike economic growth, cannot be defined only by factors of a material nature such as natural resources and capital, but also by human resources. In other words the concept of capital should be extended beyond material capital to include human capital. For example, productive thinking is part and parcel of the human element, thus a combination of capital and knowledge should always favour productivity and increasing revenues. Furthermore, ideas can always be reinvested to increase productivity and profits. These are not subject to the rule of decreasing returns; on the contrary they tend to generate increasing returns in favour of economic growth. Interestingly, this theory has helped economic planners to understand the transformation from economic practice based on resources alone to economic practice based on knowledge and resources. This confirms the fact that developing and using information remains a decisive factor in the generation of wealth for the benefit of society and the nation at large (Jones, 1988). It should be noted that this understanding led to the development of endogenous growth theories.

Therefore, the factors that define economic development are dependent on investment in human capital and the advancement of technological knowledge, so that any failure to accommodate advanced technology is likely reduce the chances for achieving sustainable economic growth. Therefore, it can be concluded that to increasing growth rates, knowledge, particularly technological knowledge, needs to be continuously improved, and savings need to be encouraged in order that they can be transferred into capital investment which in turn will lead to further technological advancement and a virtuous cycle of economic growth (Barro & Sala-Imartin, 1995; Grossman & Heipman, 1994).

As far as Libya is concerned, the conviction of the senior Libyan officials is that “the FDI has created employment opportunities, as more than 7,000 of the local workforce were employed by foreign and joint companies by the end of 2008’’ (LIB, 2009). However, this means that the GPCs have a duty to increase efforts towards meeting the needs of foreign and joint companies by providing a skilled and well-trained workforce.

These results are consistent with a number of studies relating to the link between FDI and the skills and productivity of the local workforce. For example, Aitken (1997) reached the same conclusion in his study on the effects of FDI on economic growth in many countries during the period 1976-89. In his study Aitken discovered that a number of countries had achieved high productivity in sectors with high FDI, whereas prior to the inflow of FDI productivity was low.

Therefore, considering the importance of FDI on human resource development, this study attempted to establish the opinions of the foreign and the joint companies' representatives in relation to Libyan human resources, and if they are satisfied with these resources. Generally speaking the results of the survey revealed that the majority of respondents were happy with the level of foreign language skills, technological know-how and team-working skills of the local workforce. However, the level of satisfaction with the above skills varied with technological know-how topping the list with 72.1% followed by the language skills and team-work skills with 67.6% and 63.2% respectively. The results also show that the level of satisfaction among company representatives in relation to the language skills of the local workforce ranged between 100.0% for the agricultural sector to 62.2% for the manufacturing sector. In the case of technological know-how the level of satisfaction ranged from 78.4% for the manufacturing sector to 63.3% for the service sector. The level of satisfaction ranged for team-working skills from 100.0% for the agricultural sector to 57.0% for the service sector.

In general this positive attitude towards the quality of human resources in Libya can be explained by the fact that the human development programmes have been successful to the extent that Libya is now classified as a high performing country according to the 2009 Human Development Report. The report has put Libya at 55 out of 177 countries surveyed with a human development indicator of 0.847 out of a maximum of one (Human Development Report, 2009:167).

Despite these positive opinions towards human resources in Libya, a number of difficulties remain in relation to the proper use of these resources. For example, the responses to the fifth question of the questionnaire featuring the difficulties associated with human resources show that 26.5% of companies experienced no problems using local human resources, but 73.5% did report difficulties. The import of skilled foreign labour was at the top of the list of difficulties with 41.2% of the total representatives,

followed by the scarcity of the local trained workforce with 22.1% and at the bottom were the restrictions on the import of foreign labour with 10.3%. The results indicate that foreign and joint companies alike find it difficult to import foreign labour while skilled local labour is scarce. Also, it is apparent that while problems associated with the import of foreign labour become less intense with time, the reverse is true concerning the availability of qualified local labour.

Importantly, the Labour Law No. 58 of 1970 and the decrees for amending the law and the executive regulations for the law of foreign investment permit the import of foreign labour should the local alternative not be available. In this context Article 9 of the executive regulations of the law of capital investment provides that:

> The foreign investor has a duty to provide employment for the Libyan workforce as well as provide training opportunities for them to acquire the necessary skill and technical experience. The foreign investor has the right to import the appropriate labour force and foreign expertise necessary for operating the project provided that the local alternative is not available (Article 9 of the executive regulations of the law of capital investment).

The difficulties pertaining to the import of foreign labour could be due to the illegal labour force of immigrants, which according to unofficial estimates exceeds two million (Al-Badri, 2008). Other problems include the high level of local unemployment and the inability of the private sector to create new investment projects to accommodate the increasing number of the unemployed. Such failures have serious implications for the job market by forcing foreign investors to use local labour by restricting the import of foreign labour. A report featuring employment policies in Libya highlighted that it was important to ensure foreign companies in Libya provided budgets in relation to human resources prior to being licensed for investment, and that the projects with high levels of labour requirement should be given priority for licensing (National Council for Planning, 2005).

Accurate statistics on the rates of unemployment rates in Libya are not available, although local economists estimate it at 18.7% in 2006 rising to 19.64% in 2007 to reach 20.63% in 2008. Furthermore, unemployment is forecast to reach 21.68% by the end of 2010, and 25.15% by 2012 (Unified Arab Economic report, 2008). A number of studies place the blame on the failure to establish an economy in which investment is capable of creating job opportunities for the unemployed particularly in the private sector, and the disorganised labour market in which migrant

labour has to play a major role. Moreover, the negative outcome of privatisation and the restructuring of the Libyan economy, particularly in education and the civil service, led to the loss of more than one quarter of a million jobs (National Council for Planning, 2008).

9.3 THE MAIN OBSTACLES REGARDING NATURAL RESOURCES

The importance of natural resources as a major element for attracting FDI has been established by a number of studies. In other words, the availability of natural resources in the required quality and standard constitutes an important factor for attracting FDI and promoting economic development. Buchley et al (2007) emphasise that most of Chinese foreign investment targets natural resources. Dunning (1979) on argues that companies usually target natural resources which are available in huge quantities abroad while maintaining production in their home countries. This argument is corroborated by Anwar (2008) who states that most multinational companies in the fledgling markets are state-owned, seeking natural resources to meet the increasing local demand for these resources which are cost prohibitive in the mother state. South Korea is a case in point where the government encourages local companies to intensify the search for natural resources abroad in order to secure cheap and sustainable inputs for the Korean economy (Han & Brewer, 1987). Likewise Chinese government-owned multinational companies look for foreign natural resources in order to provide the local economy with cheap inputs (UNCTAD, 2005).

Despite the huge natural resources available in Libya, the productive sectors are under-performing by failing to use these resources effectively curtailing output and income. In 2008 the agricultural, the animal resources and maritime sectors contributed only 3.3% to GNP, while the per capita income of agricultural products was equivalent to only US$189. Interestingly, total agricultural exports in 2008 are around $US5m while imports total US$779m. Despite the long Mediterranean coastal strip and the huge fishery resources production is poor: output was 46.0 metric tonnes in 2006 compared to 868.7 metric tonnes in Egypt and 961.7 metric tonnes in Morocco (Central Bank of Libya, 2009).

A number of factors curtail output in the agricultural, fishing and animal resource sectors: low rainfall; rapidly moving sand dunes; migration from rural to urban areas; inadequate grazing land; overgrazing of land; a lack of modern techniques in agriculture and fishing; and a lack of trained and skilled labour. Labour

is these sectors was around 4.2% of the total labour force in 2007 (Fishery and Animal Resource Sectors Report, 2007).

In the manufacturing sector the situation is even worse, with poor productivity a central feature. In 2008, this sector contributed 5.3% to the GNP compared with 52.3% for strategic industry, while the added value for the manufacturing industry was estimated at US$3.124bn and US$47.908bn for the extractive industry (Central Bank of Libya, 2009: 41). The poor performance of this sector can be attributed to a number of factors. The most important of which is the privatisation programme. In 2003 production was suspended in a number of companies pending changing the ownership to the private sector, which has had negative effects on the productivity in these companies.

Moreover, despite the promising resources in the tourism sector, its performance is still weak, with total revenues of around US$26.7m in 2007 compared to neighbouring countries such as Egypt which has reaped US$4.5bn in 2003 and Tunisia which gained US$3.2bn in the same year (Tourism Information and Statistics, 2008). Many researchers and experts explain the poor productivity of the tourism industry by referring to the inadequate infrastructure including hotels and the telecommunication facilities, and the mismanagement of licensing procedures in the absence of the qualified cadre in of the sector (Libya Alyoum, 2007).

The key research question in this context is: to what extent can foreign and joint companies rely on local resources to boost the production process?

The survey revealed that 61.8% of respondents admitted that the production process in their company depended local natural resources. In this regard the results show that industrial companies were the most dependent with 89.2% followed by 33.3% of agriculture companies and 28.6% of service companies In addition, reliance on local raw materials rises with business experience in Libya: 100% companies with more than four years experience rely on local raw materials, while only 62.5% of companies with less than two years experience rely on local raw materials.

The GPC strategy regarding investment is not properly formalised, but it policies tend to be associated with encouraging investors to take advantage of local raw materials. One senior Libyan official stated that:

> In fact a written investment strategy with distinct features is missing. However, the intention to attract FDI is always present, particularly in the areas of construction materials and the health service given the inadequacy of these services in the Libyan market. The GPC is also encouraging partnerships in industries such as the cement industry (Alahrash, 2009).

Another senior official added:

> The law of foreign investment has provided tax and fee exemptions for a specific period of time to foreign projects associated with food security, with regional development, that use advanced technology and which contribute to the development of local products. Moreover, the general tendency is to encourage partnerships between foreign and local investors by facilitating the procedures for joint projects (Guthoor, 2009).

Furthermore, senior Libyan officials confirmed that one of the main setbacks of the economic development programme was its failure to invest in local resources in order to create an alternative to oil revenues and which would increase production and improve services. They also confirmed the vital role of FDI in achieving a balanced and sustainable economic development in the country. In this context, one of the participants in the interviews stated that "failure to use the available local resources in an ideal manner is the most significant setback of the development programme in Libya" (Alsharoon, 2009), while another respondent argued that "the FDI in the Libyan market particularly in food industry and the construction material sector are making a good contribution to the economy by allocating natural resources to increase production and self sufficiency" (Alahrash, 2009).

However, senior Libyan officials are of the opinion that FDI in Libya tends to provide extra savings to be invested in the productive sector as the total foreign capital for investment is estimated at LD5.7bn. Although this capital is not large it still can play a positive role in comparison to the public sector whose resources are already stretched by funding other investment projects. Foreign capital also raises the quality of investment; as one of the senior officials stated "as far as foreign investment is concerned the agricultural projects provide a successful example, as the use of modern technology has eventually increased the productivity per hectare of wheat crop" (Alahrash, 2009).

The key research question is: do foreign and joint companies or the public sector have any problems using local raw materials to increase productivity?

The results show that 58.8% of representatives of foreign and joint companies stated they had problems using the local natural resources. Specifically, 70.0% of participants consider the resources to be inadequate, while 20.0% stated they are prohibitively expensive, and 10.0% argue they are of a low quality. The results also show that companies in the manufacturing sector suffer the most from the scarcity of materials, and that the problems increase with in line with length of business experience in Libya. Companies in Benghazi County suffer most from the high costs of local materials and the associated marketing problems which are becoming worse. Also, industrial companies as well as those operating in Al-Jfara and Tripoli suffer most from the poor quality of local materials.

The interviews revealed that senior Libyan officials are well aware of the problems associated with the quality of raw materials as these materials are transferred from the quarries to the production sites in Tripoli, Al-Jfara and Benghazi counties under unhygienic conditions. Moreover, the scarcity of these materials coupled with the disorganised marketing process has led to increasing prices.

Senior Libyan officials emphasised that raw materials in Libya are mismanaged, and that the locations of the materials should be incorporated in an investment map in order for potential investment projects to be located close to source of the raw materials in rural areas. This would make the processing for final consumption of the materials easier. As one senior Libyan official put it "the raw materials are important for the economic development to increase production and income" (Al-Aroush). Another interviewee argued that:

> Before coming to that stage raw materials reserves need to be estimated and plan drawn up to the effect of achieving sustainability and regional development particularly in rural areas where these materials are in abundance (Alsharoon, 2009).

The investment map has two closely related aspects. The first involves the estimation and location of raw materials by conducting exploration and research studies. The second involves establishing the most suitable methods for securing the sustainability of these materials.

Senior Libyan officials seem to be unhappy with the GPC's performance in relation to the above mentioned aspects associated with raw materials. As one interviewee maintained:

> The general administration in Libya still needs to devise an effective scheme by coordinating between the relevant government bodies with regard to planning the available economic resources by defining the market requirements of these materials and by organising these markets for fair competition (Guthoor, 2009).

Another participant argued that mismanagement of raw materials in Libya has been due to:

> 'The failure of some of the counties (shabiat), to provide the LIB with schemes focusing on the industrial sector. In fact most of the counties have no such scheme, which makes it difficult to allocate sites for FDI despite the recent establishment of the General Authority for Industrial States (Al-Aroush, 2009).

Another participant attributed the lack of cooperation between the LIB and most of the counties in relation the investment map to the fact that a number of decision-makers in these counties have poor economic knowledge.

9.4 THE MAIN OBSTACLES ASSOCIATED WITH THE INFRASTRUCTURAL ELEMENTS

It can be maintained that the infrastructure services constitute an important determinant for attracting FDI. In this context Ahmed Kamaly (2004) surveyed 23 developed and underdeveloped countries to identify the determinants of investment and other factors that influence investment activities in order that Egypt could benefit from the successful experiences of other countries. He recommended that the main determinant of the FDI was a good infrastructure.

As described in chapter three Libya focussed on establishing its infrastructure from the 1970s, since when significant improvements have been made. Nonetheless, the infrastructure can still be described as modest in terms of quality and is facing increasing demand as a result of rising population levels and the subsequent expansion in urban areas. Moreover, the high costs of infrastructure services had a negative impact on their development, particularly in the 1980s when oil prices fell which meant that the government could not afford to provide the necessary funds to improve the services.

The key research question is: are foreign investors happy with the quality of services provided in relation to the infrastructure?

From the results obtained it can be concluded that foreign companies are satisfied with a number of these services such as telecommunication and transport

services including maritime, air and land transport. However, companies are dissatisfied with other services such as the banking and insurance, postal and delivery, water, electricity and the disposal of solid waste.

It is worth noting that the level of satisfaction of respondents differs across the services. For example, 67.6% of respondents expressed their satisfaction with the air transport services, while 75.5% expressed their satisfaction with land transport services. However, 61.8% of respondents expressed dissatisfaction with the disposal of solid services and 79.4% with the water and sewage services.

The findings were divided into two main parts. The first part focuses on infrastructure services which are considered to be acceptable to foreign investors, while the second part focuses on those which are deemed to be unsatisfactory.

9.4.1 Infrastructure Services Described by Investors as Satisfactory

Foreign investors in Libya were satisfied with telecommunications and all types of transport services. However, agricultural companies and those companies operating within Tripoli County experienced a number of difficulties with poor telecommunication provision compared to other areas. In addition, service sector companies and companies operating in densely populated counties where investment is more intense suffered from poor transport services. Furthermore, industrial companies complained about the deterioration in air, maritime and land transport services.

9.4.1.1 Telecommunications

The majority of respondents were satisfied with the improvement occurring in wired and wireless telecommunication services provided by the General Post and Telecommunication Company (GPTC), and the associated companies. However, despite the general satisfaction, agricultural companies claim to suffer from poor telecommunication services. Furthermore, foreign companies based in Tripoli County and rural counties were experiencing a deterioration in telecommunication services.

The problems facing the agricultural companies in the rural counties can be attributed to the weakness of the mobile network coverage. However, the situation in the county of Tripoli is different where a report indicates that the number of mobile phones users is greater more than designed capacity of the networks. As result, it the level of service is adversely affected (CPTC, 2008).

In general, the above results support the fact that the traditional wired and wireless telecommunication services in Libya can be described as reasonable. According to the International Telecommunications Union, Libya has 1.033 million landlines with a penetration rate of 16.41 lines per 100 people. In addition, there will be a 100% increase in the number of mobile phone users by the end of March 2008 (ITU, 2008). However, the low number of internet users provides a negative indicator. In this context, at the start of 2009 there were 323,000 internet users, which was a penetration rate of 5.13 per 100 people. There were also 802,500 internet subscribers at a rate of 1.36 subscribers per 100 people, while there were 9,600 broadband subscribers at the rate of 0.16 per 100 people (ITU, 2008).

The above results can be interpreted by suggesting that a real development has taken place in the telecommunication sector, but this development has been obscured by the fact that Libya is still lagging in some aspects of communication technology such as information technology. The reason for this is because of the high level of computer illiteracy coupled with poor infrastructure which means that the information technology is not available to a huge sector of the population. Furthermore, this is exacerbated by the failure of the general administration to introduce basic changes by incorporating methods of exchanging information electronically. This failure became clear in the research interviews. In this context a number officials highlighted that coordination between different government departments is lacking in most vital matters, and that the exchange of information is ineffective: the use of internet and other forms of electronic communication are scarce or even non-existent. This justifies the efforts that have to be made to achieve the information society and e-government in order to boost economic efficiency.

9.4.1.2 Land transport

Although 75.5% of company representatives expressed their satisfaction with land transport services, service sector companies and those companies operating in the densely populated counties where investment is intense such the neighbouring Tripoli and Al-Jfara counties claim to suffer from the poor land transport services. This situation can be explained by a number of negative issues associated with land transport, most importantly traffic congestion in the centres of the major cities. The congestion is caused by the large number of cars, the failure of drivers to observe driving regulations, disorganised traffic including pedestrians, and poor road planning

in urban areas to cope with increasing traffic volumes resulting in increasing numbers of violations of traffic regulations. In this respect 163,804 minor offences and 381,231 major offences were reported in 2008 (Traffic Department Report, Tripoli, 2009). The same report also emphasised that public transport drivers are poorly trained which means that they do not adhere to traffic regulations, and the public transport sector is disorganised in relation to bus stops, traffic routes, and the small capacity of the vehicles (16 seats or less). Thus, increasing the number of public transport vehicles to meet the rising demand has lead to traffic congestions, pollution, and traffic accidents which claimed 2,332 lives, 6,424 serious injuries, and cost LD27.0m in material losses in 2008. Moreover the absence of underground trains makes matters worse, particularly in major cities such as Tripoli and Benghazi.

The key research question is: What are the challenges facing the government regarding improving the road and railway service in order to boost the investment environment?

From the perspective of Libya as a gateway to Africa one of the major challenges is to establish a continental network of roads and railway lines that link the north coast from Morocco to Egypt and links the coast with the southern and western African counties. Such a network would contribute to enhancing relationships between these countries and would pave the way for international cooperation particularly in the area of investment not only with African countries but also with Europe particularly Mediterranean Europe.

Libya is better served by roads of which there are around 24,254 km of paved roads compared to the railway. However, although a coastal road links Libya to neighbouring Mediterranean countries, this road is old, and needs urgent rehabilitation in more than one location (Transport Sector Report, 2008). According to a suggestion made by the National Council for Planning a network of motorways has to be established to link the Libya with neighbouring countries and the rest of Africa. In the first phase a motorway needs to be established along a horizontal axis from Ras Gidair to Umsaid as part of the Maghrib road which links the west with the east, and another two vertical axes from north and south. The first axis runs from Tripoli to Sabha down to Tamu at the border with Niger or to the border with Chad as part of the highway from Tripoli to Windhoc proposed by the African Union. The second axis links Ajdabia with Kufrah and Uwainat at the Sudanese border or from Kufrah to

Sarah at the Chad border as part of the highway from Dakar to Port Sudan on the Red Sea coast proposed by the African Union (National Council for Planning, Transport Policies, 2005).

Libya has had no railway transport since 1965, by which stage the previous 240km of lines were dismantled. However, a plan to link Libya with neighbouring countries through two main lines is under consideration. The first line would run from east to west through the coastal cities and town linking the Tunisian and Egyptian borders. The other line should run from the coastal city of Sirt which lies 400 km to the east of Tripoli to the southern cities at Wadi Alshati where minerals are found in abundance (Sharninah and El-Fergani, 2007). The idea of establishing a railway network dates back to the mid-1970s, but the project has been delayed for a number of reasons, including the high cost and the fall in oil revenues in the 1980s.

It is worth mentioning that apart from developing transport links with neighbouring countries, crowded inter-city roads and traffic congestion in the major cities remains a main short term challenge for the government. The establishment of an underground system remains the main option to tackle traffic congestion in the major cities of Tripoli and Benghazi where the population density is high. In addition, the government needs to establish companies to operate public transport (Performance of the Transport Sector Report, 2005).

9.4.1.3 Maritime and air transport

In the area of maritime and air transport matters the level of satisfaction with the services provided by the two sectors was 75.0% and 67.6% respectively. However, the level of dissatisfaction in the industrial sector with the services was 18.9% and 29.6% respectively compared to the averages of 14.75% and 20.6% respectively. The most likely explanation is that these companies use the maritime cargo service more than their counterparts, although these results also reflect the failures of the maritime management.

The import and export of goods through Libyan ports increased from two million tonnes in 1965 to 12 million tonnes in 2004. In addition, exports of crude oil and other oil products is estimated at more than 66 million tonnes per year, of which 45% is transported by ship, while the rest is pumped through pipelines (National Council for Planning, 2008).

A report by the National Council for Planning (2008) has highlighted a number of negative aspects in relation to transport policies. The most important of which is the inability to renovate and upgrade the maritime ports (Libya has 20 ports, most of which have a limited capacity) by providing the necessary state of the art equipment: most ports do not meet international standards in relation to mechanisation or management (National Council for Planning, 2008).

The air transport sector has a number of inherent difficulties and obstacles that curtail the efficient running of the air transport companies particularly in relation to establishing Libya as a gateway to Africa. Also, as a result of these weaknesses the country is unlikely to grasp the opportunities of using the air transport infrastructure to develop trade as the majority of airports particularly the international ones located suffer from deteriorating services which can be described as being below international standards. The Transport Sector Report (2008) points out that some of the problems relate to the fact that the major airports in Tripoli, Benghazi and Sabha are operating at above capacity and that there is a lack of state of the art services. Thus, the service provided at Benina airport in Benghazi is far below acceptable standards. Also, a number of airstrips require upgrading to become more economically feasible. Moreover, inadequate passenger halls and poor cargo delivery equipment constitute major obstacles to fully utilising these facilities (Transport Sector Report, 2008).

The key research question is: What are the challenges associated with improving land, air and sea transport services?

The experience of a number of developing countries has proved that air transport can play a major role in economic development provided it plays an active role within the international air transport system. This is borne out by the experience of Singapore, Dubai and Qatar which have been successful due to investing in the infrastructure particularly in air transport companies, and choosing the correct location. These factors have created an attractive environment to both foreign and local investors in relation to the air transport sector.

Furthermore, the liberalisation of the air and sea transport industries, including open air and sea access, provides new perspectives on the practices and limitation of these industries which were previously state-dependent. The new perspective is underpinned by competition and that whoever provides the best service meeting

international standards to the customer should survive. The main aim of liberalising sea and air transport is to keep the industry going by providing its services to as many customers as possible at the highest standards.

The air and sea transport industries are flourishing in highly developed countries due the fact that these countries have the technical know-how and the economic capability, as well as the power to dominate the world through their presence on regional organisations where all the members have similar qualities. By contrast, underdeveloped countries need to adopt specific strategies to keep this industry flourishing. In the case of Libya these strategies should focus on the unique location of the country, and create the right environment by providing a reliable infrastructure which will assist policies favouring strong competition.

However, the main challenges the sea transport sector faces include the need to upgrade the poor ports to meet international standards, in order to provide services to modern ships, and provide the necessary protection and safety measures. In this context, foreign investors can be invited to carry out joint studies with local investors in relation to the establishment of new cargo ports, while other ports can be renovated to serve the tourism sector. This implies the reclassification of ports based on location and specialism taking into account the regional and border requirements. Moreover the appropriate legislation needs to be enacted to encouraging FDI into the sea transport sector (National Council for Planning, 2008).

In the area of air transport the main challenges include providing automated landing services at a number of airports including Tripoli, Benina and Al-Abraq, proper management and organisation of the airports, and training of staff to improve their performance to cope with the new arrangements.

9.4.2 Infrastructure Services Described by Investors as Unsatisfactory

The results of the survey reveal that the services provided by bank and insurance companies are unsatisfactory in the opinion of foreign investors. Other services which they deem to be below the standard include the postal and delivery services, electricity, water and sewage, and disposal of solid waste. This section discusses these particular services.

9.4.2.1 Financial services

The results show that companies in all sectors, particularly the agricultural sector, complained about banking services. In addition, representatives from densely populated counties where banks have a strong presence also expressed their dissatisfaction. For example, in Tripoli and Benghazi counties the level of dissatisfaction reached 80.6% and 77.8% respectively.

As far as the insurance sector is concerned, all respondents expressed their dissatisfaction with the service provided. Furthermore, the level of dissatisfaction was similar across all sectors, although the situation was worst in the agricultural sector. As with the banking service, the level of dissatisfaction among the different counties rises with increasing population density and investment intensity. Therefore, Tripoli and Benghazi counties which are at the core of the business market were rated the poorest. In the other counties including the five rural counties the level of satisfaction was below the average of 13.2%.

9.4.2.1.1 The banking services

In the banking sector the greater difficulties encountered by agricultural companies compared to other sectors can be explained by the fact that they operate in rural counties, whereby local bank offices need to refer to the city branches for decisions.

The commercial banking sector has been struggling for many decades with problems associated with the structure of the banking sector and with the nature of the major private and public sector banks, which provide traditional services such as the payment of wages and the limited provision of credit facilities. Moreover, the Central Bank of Libya has not undertaken its role properly as an advisor and controller of economic activities which has resulted in inefficient regulation and governance of the financial system (Shamiah, 2007).

Between 1995 and 2006 the exported banknotes to the total banknotes available for exchange as the records show that 95% of money outside the banking system did not pass through the banks. This highlights the marginal role of the banks in the economic activities (Shamiah, 2007).

Importantly, cheques are the only method of withdrawing money from current accounts, apart from a few private, medium-sized banks which have a very limited

number of cash machines: there are less than 50 cash machines in the country. Furthermore, point if sales are very rare if not completely absent in Libya.

Another indicator of the weakness inherent with commercial banking services is the low level of bank credit as a ratio of the GNP between 1995 and 2005. The percentage decreased from 41.0% in 1995 to 16.0% in 2005 despite the fact the level of credit showed an absolute increase from LD4.372bn in 1995 to LD6.069bn in 2000 and to LD9.358bn in 2005. This indicates a preference the stagnation of banking services resulting in weak levels of investment particularly when the money supply exceeded LD20.585bn in 2006 (Shamiah, 2007). This is due to a number of reasons, including most importantly a lack of Islamic monetary institutions in a community where all individuals are committed to the Islamic faith.

The Central Bank of Libya has outlined its aims, strategies, and policies in order to activate the role of private commercial banks. This aim is particularly important following the adoption of new measures to restructure the economy in order to relieve the state of its economic burden by encouraging the local and foreign private sector to resume economic activity. In this context significant efforts have been made to improve banking services, particularly the enforcement of Law No. 1 of 2005 which for the first time in almost 40 years allowed foreign capital to invest in the banking sector, foreign banks to buy shares in local banks, and foreign banks were permitted to establish branches provided the capital allocated for these branches is not less than US$50,000 (Article No.27 of the Law).

Following the enforcement of the above law two commercial banks have been established in partnership with the states of Qatar and the UAE, and another two foreign banks have bought shares in the Alwahda and Sahara Banks. BNP Paribas Group became a strategic partner of Sahara Bank by purchasing 19.0% of the shares and retaining the right to a further 51.0% of the shares within three to five years. Likewise, a strategic partnership was established between the Arab Bank and AlWahda Bank under the same conditions (Central Bank of Libya, 2009).

Economic restructuring has happened simultaneously to the efforts to improve the banking sector. In this respect, services such as the Real Time Cross Settlement System, the Automated Clearing House, Automated Cheque Processing, ATM, POS and CMS have been incorporated in the main banking system as well in the link and

communication network. However, these services remain unused (System of National Payment, 2006).

In addition, the Libyan Centre for Credit Information was established in the first quarter of 2009. This centre gathers personal credit information of current and potential borrowers from the member banks, in order to help these banks take the correct lending decisions. Thus, it improves banking performance in terms of hazard perception to minimise potential losses. Moreover, this information helps to predict problems involved with borrowers and allows the most appropriate solution when necessary (Central Bank of Libya, 2009). Also, Resolution No. 3 of 2006 allows commercial banks to provide loans and other financial facilities to foreign companies investing in Libya, provided that the financial assistance does not exceed 50.0% of the total costs of the project, and that the financial assistance provided by the bank does not exceed 30% of their total authorised credit capacity.

9.4.2.1.2 Other financial services

In the insurance sector agricultural companies and those companies operating in major counties experience the highest levels of dissatisfaction. This could be attributed to bureaucratic practices as well as the centralisation of services. These bureaucratic practices in relation to insurance companies mean that issues must be referred to the main branch, particularly where compensation is involved. In addition there are negative aspects which are inherent in the insurance business in Libya in general.

The most important of these negative aspects is the monopoly held by Libya for Insurance Company for more than three decades. This has caused a number of complications in terms of meaning and form. Another negative aspect is the inadequate level of capital: total capital in the insurance sector is estimated at LD135m (Libya Insurance Company, 2008).

Insurance services in Libya are provided by five companies which are Libya for Insurance Company (1964), the United for Insurance Company (1999), African Insurance Company, Sahara Insurance Company and Libo Insurance Company. The formation in 1964 of Libya for Insurance Company was the beginning of the insurance sector in Libya. It was until 1999 that the monopoly was broken when United for Insurance Company was established in partnership with a number of oil

companies. The other companies are considered relatively new being established after 2004. All insurance companies in Libya belong to the private sector including Libya for Insurance Company which was privatised in the second half of 2007 through the foreign exchange market (Central Bank of Libya, 2006).

The foreign exchange market in Libya was established in 2006, in the aftermath of the unsuccessful experience of privatisation which took place in the absence of a foreign exchange market system. This resulted in the poor performance of the privatised institution and poor underwriting for the privatised companies. The establishment of the foreign exchange market was an essential requirement for the restructuring of the Libyan economy which started in 2003 (Al-Faqi and Wafa, 2007). As the exchange market is relatively new and its role is yet to be fully established, the level of transactions are weak compared to the size of the economy. Te number of registered companies was seven at the end of 2008, three of them operating in the insurance business, and four commercial banks with a total turnover of just under LD250m (UK£124m) in 5,264 transactions (Libyan Stock Market, 2009).

The key research question is: What are the challenges involved in relation to the improvement and development of financial services in Libya.

Despite the efforts to improve banking services, the reality is that the services provided by this sector fall far below the expectations of local and foreign investors. Despite the policies of the Central Bank of Libya the outcome is still weak with regard to the improvement of the banking services despite the recent diversity in terms of the establishment of private banks, the emergence of foreign banks as shareholders of the local banks, and the potential of Islamic banking.

The introduction of the state of the art electronic services through the use of modern technology such as cash machines, internet banking, etc is an essential element for improving banking services in order help to integration with the global economy. Also, Islamic banks should be permitted to operate in order to diversify the services provided and encourage the customers who believe that banking services particularly issuing usury loans offend their Islamic beliefs.

In relation to the insurance sector the most striking challenges are forcing companies to increase their capital base in order to cope with increasing demand, and opening the way for foreign capital to make the market more competitive

internationally. The foreign exchange market can be improved through the highly trained and skilled staff, and through activating its role to boost the privatisation process and the establishment of new projects.

9.4.2.2 Other infrastructure services

The results of the survey show that the foreign investors in Libya are satisfied with the water, electricity and sewage services as well postal and delivery services, though with varying levels of satisfaction of 73.5%, 79.4%, 61.8% and 75.1% respectively. The results also indicated that agricultural companies suffer the most in relation to electricity provision, water and sewage, and solid disposal services, while service sector companies are the least satisfied with regard to postal and delivery services. Furthermore, the major counties such as Tripoli and Benghazi were the poorest performing and the provision of services is also deteriorating.

The problems experienced by the agricultural companies can be explained by the fact that these companies are operating in rural areas where the electric power supply is neither adequate nor stable, and where the sewage services are non-existent. In counties with high population density the situation is different as these services are more readily available; however, the sector suffers from mismanagement and disorganisation.

Electric power supply in Libya is monopolised by the Public Company for Electricity. According to national records the total power that was generated in 2006 was 23,992 megawatt hours. This was generated by using vapour and gas generators with a share of 33% and 67% respectively (Statistical Book, 2006). Libya has an extended network of electric power lines covering most of the country. However, the sector still suffers from major problems, the most important of which is the recurring power cuts particularly during the summer, due to the high demand for power to cope with the high temperatures especially in Tripoli. Another problem is the difficulties associated with power connection which is a vital concern for agriculture companies. For example, the current connection of Libya to Egypt highlights technical problems as at its best the stable power supply does not exceed 150 megawatt at 220 volts. Nonetheless many experts tend to believe that the connection should have high voltage networks i.e. 400 volts (Adil Shilabi and Mahamed Ibrahim, 2008).

Adequate networks exist for the distribution of clean water for drinking and other domestic purposes in most parts of Libya. These networks are fed by ground water aquifers along the coastal strip as well as by desalination stations and by the great man-made river. However, a number of problems exist in the sector including the low quality of the water due to contamination with sea water, a problem that has worsened in the past few years. Also, most of the counties particularly in rural areas have yet to be connected to the network. As a result people in these areas dig their own wells for drinking water and to irrigate their farms.

Special plants have been established for the treatment of sewage in Tripoli and Benghazi: the latter suffers from a long-standing problem due to its old sewage network which floods the lake located in the eastern part of the city. Outside the main cities other methods are to be used for the collection of sewage and liquid waste. In this context black wells, especially designed for the collection of sewage, are commonly used for domestic purposes. Thus, it can be concluded that the sewage service in Libya is not reliable and that the service is deteriorating across the country but particularly in rural areas where agriculture projects are concentrated (Shernanna and El-Fergani, 2007).

The disposal of solid waste in Libya is undertaken by a public company in the major cities for free. However, recently the sector has been privatised in both Tripoli and Benghazi, where cooperative companies undertake the task of rubbish collection and dumping. The work of these companies includes all types of rubbish including medical, industrial and chemical waste, which is dumped at special locations 20 to 50 km outside the cities. Nevertheless, the process of rubbish disposal remains the responsibility of the local authorities.

The problem is that the cooperatives charge its members, although membership is not mandatory. Thus, it is not surprising that the cooperatives do the job selectively. This is one of the main problems with the privatisation of the sector as the optional membership of the cooperative has led to an accumulation of rubbish in the streets of the major cities causing the local council to intervene and use its own resources to clean the main streets. However, matters are worse in rural areas as no official method exists for removing rubbish. Therefore the local population and organisations have to find ways to remove the rubbish: this is also true for agricultural companies which suffer most than their counterparts in other sectors in this field.

The results reveal that service companies suffer more than others regarding the postal and delivery services. The only explanation for this is that service companies use the service more than others particularly companies which provide financial services through the post. Nonetheless many difficulties are inherent with the postal and delivery service, the most important of which is the use of PO boxes which are controlled by the Public Company for Mail Service. For the service to be more efficient the streets need to be properly named and the houses properly numbered to facilitate easy delivery; the service would also benefit from GPS.

9.5 SOCIAL AND POLITICAL OBSTACLES

A number of studies have established a close relationship between political and social stability and the flow of FDI (Basi, 1963; Robinson, 1961; Department of Commerce, 1954). However, some researchers argue that political instability has insignificant effect on investment in developing countries. They conclude that the relationship is apparent only when FDI inflows become significant (Reuber et al., 1973). The differences of opinion can be attributed to the methods of analysis used as well as to the definition of political instability which is arbitrary. In this context, studies carried out by Asiedu (2002) and Akhtar (1993) conclude that a number of factors determine the level of FDI in developing countries and that political stability is one of these factors. Abdulla (2002) in a study on the obstacles to investment in Arab states concluded that political instability and insecurity make some Arab states less attractive to foreign investment, as does institutional instability and poor regulations as is the case with Somalia. However, a survey featuring 142 economist from developing and advanced countries conducted during the periods 1985-90 and 1990-95 show that apart from in 1985 and 1995 political stability appears to be not statically meaningful as a factor in relation to FDI (World Investment Report, 1998).

The key research question is: are foreign investors satisfied with the social and political changes that have taken place in Libya?

The results show that 80.9% of the representatives are unhappy with the instability of public institutions, while 72.1% complain about the uncertainty of regulations. However, 86.6% and 73.5% of respondents say they are satisfied with the low crime rates and exit and entry visa services respectively.

In relation to institutional and legislative stability the results reveals that the level of satisfaction among the representatives of joint companies is higher than foreign companies. Service companies and counties such as Tripoli, Benghazi and Al-Jfara where investment levels are intense and have a plethora of public institutions suffer the worst. It is also evident that legislative and institutional instability is deteriorating as the level of dissatisfaction rises with increasing business experience in Libya. In this respect one senior Libyan official highlighted that the LIB like other public organisations suffers from the instability of legislation as well as from the periodic restructuring of public administration. He stated that "we are not certain that the LIB will survive the restructuring of the public organisations in the new state" (Al-Zawi, 2009). On 25 March 2009 the LIB was merged with the Privatisation Board to create a new body known as Privatisation and Investment Board (PIB) in accordance with the GPC Resolution No. 89 of 2009.

The state of dissatisfaction among the representatives of companies operating in the main counties can be explained by the fact that Libya has experienced institutional and regulatory instability for more than three decades. This should not be surprising as the political system in Libya has passed through three distinct stages during its development, from a constitutional monarchy in 1951 to the republican system in 1969 and finally to people's power in 1977. All these changes in the political system negatively affected the stability of the state institutions. In particular, the adoption of the unique people's power system caused confusion for the institutions of the state. For example, the highest institution, the GPC was reshuffled more than 14 times between 1977 and 1994, a survival rate of only 14.6 months per committee. During this period six general secretaries (Prime Ministers) were appointed for periods ranging between one to six years (Al-Magribi, 2003). Because of the scarcity of information, Libya has featured in only one international study, the indicator of rational management issued by the World Bank which features 212 countries; in it Libya is rankled as average in relation to political stability and the absence of violence with a score of 63.0% (World Bank, 2004).

Concerning visa services the results show that the majority of investors are satisfied with the entry and exit visa service. The results also show that the level of satisfaction rises in relation to the length of business experience in Libya. These positive results can be attributed to the fact that Libya has maintained close relations

with many countries and international organisations and has always observed international agreements despite the tense relationship with the West over almost two decades which culminated in the imposition of international sanctions for a period of almost seven years (UN Security Council Resolution No. 78 of 1992). The crisis between Libya and the West was finally resolved through diplomatic means in 1999, and Libya resumed its activities in the international arena by strengthening its international relations. By doing so Libya entered the new millennium with productive international relationships that have made it possible for the state to open the door to foreign investment to help the recovery of the economy which had been undermined by the sanctions. It should be noted that Libya has yet to sign economic agreements with the European Union (EU) despite the fact that a supplement to the original charter of the European Economic Community (the forerunner of the EU) provided that Libya had a priority to sign such agreements. Even Libya's strategic location in the Mediterranean region and the African Continent has not encouraged the signing of the agreement (Council for Planning, 2000). In contrast, all the Mediterranean Arab states, with the exception of Algeria, have signed partnership agreements with the EU.

In the area of crime rates the results indicated that the overwhelming majority of 86.6% of representatives were satisfied with the situation. However, negatively the situation is deteriorating as the level of satisfaction decreases with increasing business experience in Libya.

This positive response could be due to the fact that crime rates are relatively low. According to the Council of Planning (2008) the crime rate in 2005 was 856 per 100,000 people, and that 95.4% of the crimes were committed by adults. Another study associated with crime in the Arab World revealed that crime is not common in Qatar and Libya (Akram Al-Mashhadani, 2005). However, negatively the Council for Planning Report (2008) stated that crime could rise at an annual rate of 3.5% to reach 1807 crimes per 100,000 people in 2025. Criminologist and sociologists believe that the phenomenon is due to a number of factors, the most important of which is the increasing levels of unemployment as well as increasing inflation, particularly in recent years (Akram Al-Mashhadi, 2005). Inflation reached 6.2% in 2007, rising to 10.4% in 2008 before falling back to 2.5% in the second quarter of 2009. Arguably, fluctuations in food prices in Libya are closely related to international changes in food

prices, as the country imports 90.0% of its food requirements (Central Bank of Libya, 2009).

Another positive indicator is that Libya has not been linked to international terrorism. The report emphasises that terrorist-related violence is almost non-existent in Libya compared to neighbouring countries: Libya is scored at 63.0%, compared with Egypt at 23.0%, Tunisia at 54.0% and Algeria at 13.0% (Rational Governance Report, 2008).

9.6 THE ECONOMIC AND FINANCIAL OBSTACLES

From the economic and financial point of view the determinants of FDI can be described as numerous and variable. The most important of these determinants are the size of market, the level of wages the openness of the economy, the stability of the exchange rate, the real interest rates and policies that encourage foreign investors (Asiedu, 2002; Akhter, 1993). Reidel (1975) proved that the low wages was one of the most important determinants of FDI in Taiwan. This finding was confirmed by studies carried out by Donges (1996, 1980) looking at Spain and Portugal. Furthermore, Agarwal (1980) established a significant positive relationship between the size of German investment and the wages in countries such as Brazil, India, Iran and other developing countries. He concludes that the level of wages made an impact particularly in relation to labour-intensive manufacturing projects.

Bhattacharya et al (1996) argue that the rate of market growth compared to GNP is the most important determinant for FDI in sub-Saharan Africa, while Mbekeani (1997) is of the opinion that the market size as represented by GNP is most decisive. Bende (2002) on the other hand suggests that the most decisive determinants in the long term are the rate of market growth along with policies directed towards boosting exports and inflows of FDI, and to a lesser extent the exchange rate, market size in relation to GNP, and the openness of the economy. However, his study failed to establish a relationship between actual wage rates and FDI.

In addition, Oman (2000) concludes that the larger the economy the more attractive it is to FDI. However, Oman argues that this should not prevent small economies from expanding by adopting policies of openness and through taking the initiatives to achieve regional integration of trade. In this context the World Investment Report (1998) highlighted findings of UNCTAD studies in relation to the

most important factors that make the economic environment attractive to FDI. The results highlighted three key factors: (1) Market size; this variable can be measured by the nominal GNP of the host economy; (2) Rate of economic growth for the host economy: can be measured by averaging the GNP for three successive years preceding the year in which the estimate is calculated. This variable is used to forecast the future growth of the local market; and (3) Per capita income: measured as a GNP per person, and used an indicator of the consumption of goods and services.

However, the Libyan economy is small both in terms of population which in 2006 was around six million, and in terms of local market size: in 2008 nominal GNP was LD105.0bn and real GNP was LD46.132bn. However, the Libyan market is expanding faster than the global economy: in the last three years the average growth rate in Libya was 6.2% compared to 4.3% for global growth. In addition, the demand for goods and services as measured by per capita income is increasing: LD8665.0 in 2006, LD 8970.4 in 2007 and LD9331.7 in 2008 (Central Bank of Libya, 2009). This rapid growth can be explained by a number of factors, particularly the increases in oil prices. Also, in this regard it is worth mentioning that as far as Libya is concerned the economy was not affected by international recession from 2008.

The interviews with the senior Libyan officials revealed that in order to achieve true economic development in Libya, decision-makers need to consider economic investment in sectors other than the oil sector. In other words, diversification of economy is essential. A suitable alternative to oil dependency is to promote a dynamic market economy, which will increase productivity of individuals by creating job opportunities. However, one of the interviewees warned that:

> The local private sector alone is incapable of creating the possible alternative at this time as this sector is currently not in a position to achieve success given its numerous problems such as lack of technical know-how, mismanagement, lack of skilled labour, and inadequate capital (Alsharoon, 2009).

Indeed, the private sector is relatively inexperienced in Libya as the public sector has dominated the economy since the mid-1970s, including the trade sector. However, the situation started to change gradually in the mid-1980s when the door was opened for the local private sector to undertake a more significant role in the economy. This situation continued until the beginning of the new millennium when the government launched a privatisation programme of 360 companies of various

sizes operating in all economic sectors with the exception of the oil and gas sector (Shirninah and El-Fergani, 2006).

The survey in this study considered four main variables in terms of attracting capital inflows: the ease of moving capital into the country; the ease of moving capital out of the country; the accounting regulations; and the audit system. These variables are of interest given the impact on investment decisions and the paucity of published information about them. The results of the survey revealed that 72.1% of respondents expressed their satisfaction with the procedures associated with the movement of capital into Libya, while 67.6% said they were satisfied with the principals and the rules in relation to accounting procedures. By contrast, the percentage of representatives who were dissatisfied with the procedures associated with the movement of capital out of the country and the application of auditing measures was high standing at 80.9% and 75.0% respectively.

In relation to the importing of capital, the results show that the level of satisfaction decreases with increasing business experience in Libya and other country. This implies that procedures associated with moving capital into the country become unfair and more complicated with time. However, the laws and regulations associated with the movement of capital into Libya permits exchangeable foreign currencies to be transferred into the country through the official banking channels (Article 4 of the Law of 1997). Furthermore, the findings indicate that most investors find it very demanding to open a bank account in Libya due to the complicated procedures involved and the number of documents required.

In relation to the accounting procedures the results show that the level of satisfaction is higher among representatives of companies with a lengthier business experience in Libya and abroad than companies which are relatively new to investing abroad. This situation can be explained by the fact that the accounting procedures are based on the same principles and procedures that exist in most countries.

However, as far as the auditing procedures are concerned the results demonstrate that the level of dissatisfaction is lower among representatives of companies with a long business experience in Libya and abroad compared to companies which are relatively new in investing abroad. Thus, the difficulties involved in this area become less severe with time. However, the interviews with

senior Libyan officials indicate that the intervention of a number of financial control administrations in the counties can create confusion among foreign investors.

In the area of exporting capital the results reveals that the level of dissatisfaction rises with in line with business experience in Libya and abroad. Therefore, it follows that the problem of the outward transfer of funds becomes more complicated with time. However, the law allows foreign investors to transfer net profits. The difficulty is associated with the administrative procedures, which require the advanced approval of the Central Bank of Libya. The situation was reviewed by the GPC at its 30th meeting in 2009 (GPC Meeting No. 30 of 2009).

9.7 ADMINSTRATIVE AND ORGANISATIONAL OBSTACLES

A number of studies emphasise the importance of administrative stability and the simplification of procedures as a determinant for attracting FDI. Kamali (2004) highlights the importance of simple and prompt procedures based on a one stop shop in improving the Egyptian investment climate. Hong and Gray (2003) reach the same conclusion. Furthermore, Nunnenkamp and Spatz (2000) in their study assessing 28 developing countries spanning 1987 to 2000 established a negative relationship between administrative bottlenecks and the flow of FDI. Moreover, according to a report compiled by the World Economic Forum (2002) the competence of the relevant organisations and institutions plays a major role in enhancing the investment climate in a country, and this competence increases with decreasing procedures associated with the establishment of investment projects and the settlement of disputes. However, Morisset and Neso (2002) point out that administrative procedures differ between countries because of differing structures such as the political system, the level of corruption, the legal system, and public sector wages.

In the case of Libya poor institutional stability has negatively affected the performance of the public administration. The situation has been exacerbated by the many changes to the administrative divisions: the country was initially divided into three regions, then into ten provinces, then 13 counties, and finally 31 counties (Shirnninah and El-Fergani, 2007). The effects of this was emphasised by one senior Libyan official who stating that “we are not sure if the LIB will survive the new restructuring of the state” (Al-Zawi, 2009).

The key research question is: what are the attitudes of the respondents towards the administrative variables emphasised in the survey.

The results of the survey reveal that investors expressed their dissatisfaction with large number of documents required as well as the way their applications were processed. The levels of dissatisfaction were 75.0% for the number of documents required and 79.4% for the application procedures. Furthermore, the more advanced the stage of decision-making the higher the level of dissatisfaction which increases from 75.5% at the document presentation stage to 79.4% at the application processing stage.

The results also indicate that the time required for licensing decreases with increasing business experience in Libya. This is confirmed by the fact that all companies with business experience in excess of four years in Libya got their licences within two months, while 60.0% of companies have less than two years business experience in Libya received their licences between two to four months.

The results also suggest that companies that are fully owned by foreign investors and service sector companies suffer the most. However, the situation is improving in terms of the required documentation and application procedures. The dissatisfaction of the service companies stems from the fact that the majority of foreign and joint companies (60.2%) operate in this sector. In this context one senior Libyan official put the blame on policies on the acquisition of land for tourism activities along the coastal strip as part of the planning scheme.

Two further obstacles are the procedures related to the number of documents and the processing of applications. The fact that more than one office deals with applications increases the number of required documents, and secondly the LIB does not take part in the decision-making process in relation to applications.

Legislation is confined to the administrative procedures of the LIB, stopping short of allowing it to decide on the applications. Thus, the main task of the board is to compile technical reports in relation to FDI applications, whilst decision-making rests with the GPC for Economy, Trade, and Investment after consultation with the GPC. According to the law the board has to provide a report within 60 days of the application to the appropriate authorities. Article seven of the law states that:

> The People's Committee of the board undertakes the task of assessing applications and providing technical reports with the appropriate recommendations including its opinion on the project as to its relevance to the national economy within a maximum of sixty days provided the applicant has presented all the required documents, and that the board has to refer its proposals and recommendations to the secretary of the GPC for Economy, Trade, and Investment to take appropriate decision on the matter (Article Seven of Law No. 5 of 1997).

The level of dissatisfaction of international investors in relation to the organisational and administrative aspects reflects the realities associated with the administrative system which is rife with bureaucracy and corruption. This is despite the efforts of the GPC between 2003 and 2007 when restructuring reduced the number of public institutions, the number of staff and procedures to a minimum.

The key research question is: what challenges face the general administration to minimise the levels of bureaucracy?

Senior Libyan officials believe that the administration needs to speed up procedures in order to make business environment more attractive to investors. This implies raising the competence of the public administration through the training and qualification of the workforce, and the need for a one window policy particularly in relation to taxation, customs, electric power and water services.

Another problem is that the administrative system lacks coordination between different government bodies. This problem goes beyond the one stop shop policy to the establishment of the investment map discussed previously. Since 2007 the LIB has been attempting to introduce the one stop shop policy in response to the GPC resolution No. 150 of 2007, to speed up and simplify FDI applications by reducing bureaucracy through the establishment of a single office (GPC Resolution No. 5 of 2007).

From the field survey the researcher discovered that investors have to deal with more than one office, and that the board plays the role of a mediator to provide investors with the documents required by the various government bodies. The traditional mechanism of the general administration can be blamed for the poor coordination between the various bodies, as well as the inefficiency of the administrative system as reflected by its absolute bureaucratic approach.

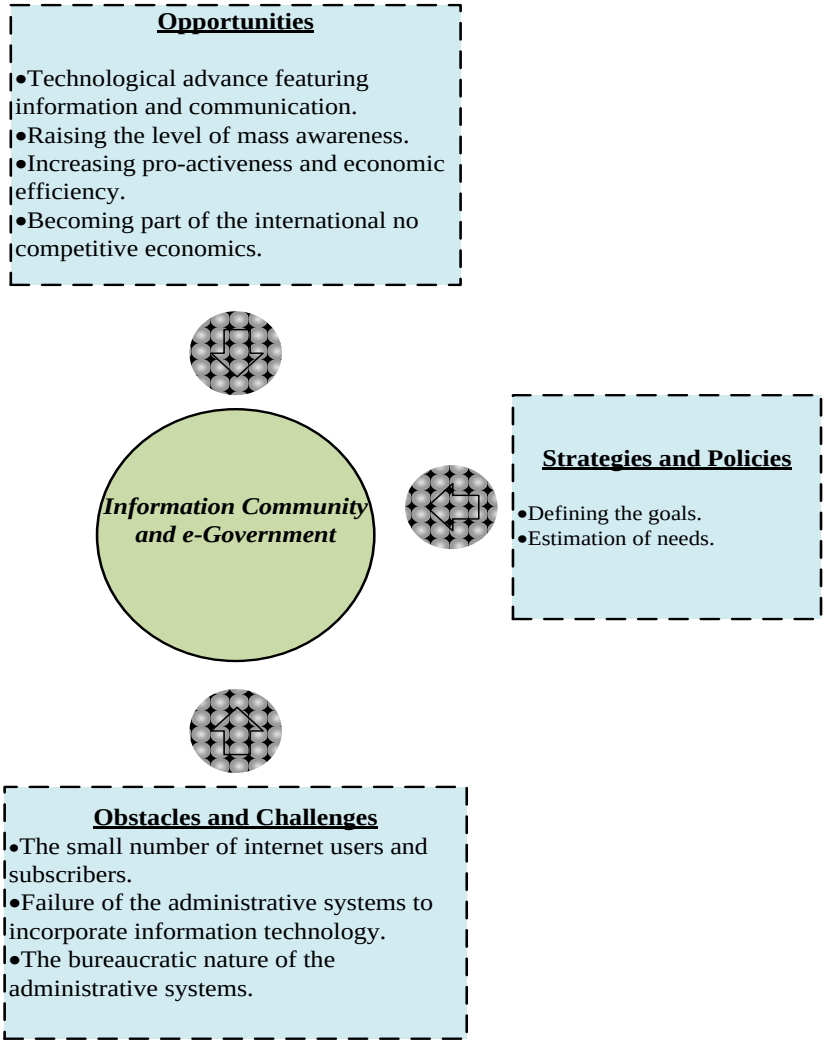
Information technology provides a chance for everyone to take part in the process of decision-making, or at least helps to raise the level of public awareness and makes people feels socially active. Also, it can make bureaucratic practices more transparent and therefore it is easier to call the authorities responsible for any malpractices. In this context Warren and Weschler (1991) state that the availability and easy access to information tends to improve the capabilities of all parties involved including lay people in government decisions. The most important aspect in this regard is electronic democracy which endeavours to encourage citizens to take part either directly or indirectly through local opinion polls. For this reason information should be available in order to enable the population to form their opinions about ideas put forward for discussion. At Clift argues: "one must refer to the great difference that exists between making information available following the process of decision-making, and making it available prior to decision-making to encourage the active contribution in the process of decision-making per se" (2001:17). However, Battelle points out that for the time being:

> The challenge is to switch from the industrial model of government (centralisation, the hierarchy of authority, and working within a confined economy) to a new model of government taking into account the surrounding realities, globalisation, and a digital economy based on information, and the social change which is taking place (1998:21).

The concept of e-government should mean opening the door for the people and the business sector to interact so that business and government activities will be electronically dependent. As far as Libya is concerned the democratic experience, based on the hierarchy of authority and poor communication between the local government and the people, should mean finding methods that would activate the process of communication creating a fair outflow of information for an effective participation in the process and implementation of decisions. Figure 9.1 shows the advantages and the obstacles of using information technology in e-government and trade.

One of the advantages of the application of e-trade and e-government is the smooth outflow of information to promote mass awareness which raises economic efficiency to international standards. In contrast the most prominent obstacle that can disrupt the progress of the e-trade and e-government programme in Libya is the low penetration rate of the internet and the poor e-infrastructure.

Figure 9-1 Opportunities and Challenges of Establishing an Information Community and E-Government



In practice it is necessary that the administrative role of the state be activated through strategies featuring the application of information technology to assist communication between the different government departments on the one hand and between government departments and the population on the other. Meanwhile, the process of identifying the needs of the population would enable administrators at both the local and central government levels to introduce plans taking local circumstances into account. Moreover, it allows the implementation and the evaluation of the outcome of these plans. However, before this can be achieved billion of dollars need to be invested in the communication sector to improve the passage of information

between the different parties involved in the process of planning, monitoring and control in order that anyone can be called to account for any malpractice.

9.8 THE MAIN OBSTACLES IN RELATION TO LEGAL GUARANTEES

A number of studies point out the importance of incentives for and guarantees against political risks or any other potential risks to investors in encouraging the inflows of FDI even though these guarantees may not make a direct impact in most cases. In this context, Aharoni (1966) argues that as far as FDI is concerned incentives such as income tax exemptions may not be important in the early stages of decision-making. This argument is supported by many researchers (Robinson, 1961; Barlow & Wender, 1955). Furthermore, Kamali (2004) concludes that tax incentives cannot be the only incentive for attracting FDI, and that it needs to be supported by a package of other incentives such as the speed and simplicity of procedures featuring the one stop shop policy. However, the experience of many counties indicates the importance of tax incentives and that financial incentive need to be linked to issues such as employment, the use of advanced technology and human development and the development of exports (OECD, 2003). The same is true for guarantees against political risks as a number of researchers believe that political stability has an insignificant role to play in relation to attracting FDI in developing countries (Reuber et al., 1973). Moreover, the results of a study of 142 developing and advanced countries covering 1985 to 1990 and 1990 to 1995 suggest that apart from the years 1985 and 1990, factors such as political stability and political guarantees are not statistically meaningful (World Investment Report, 1998). This is consistent with Abdulla (2002) who believes that the availability of guarantees against political risks is considered complementary rather than a main requirement for improving the investment climate.

Nevertheless, legislation in Libya provides incentives in form of exemptions and guarantees similar to those provided by other countries to foreign investors. For a project to qualify for such privileges it has to satisfy certain requirements such as it has to boost regional development or contribute to food security by focussing on the production of cereals, the development of animal resources or the development of a food industry sourcing local inputs. Other requirements include the use of partial or total use of solar energy or any other source of renewable energy, the use of an economically feasible irrigation system, and the use of equipment that promote low

carbon emission (Article No. 7 of the Law, and Article No. 17 of the Executive Regulations).

Libyan legislation permits the following exemptions: (1) Equipment and machinery required for establishing the project are totally exempt from all fees, tax and customs or any other tax of the same nature; (2) Spare parts and raw materials necessary for the projects are exempt from import customs and tax and any other sort of tax and fees of the same nature for a period of five years subject to extension for another three years; (3) Exported goods will be exempt from the production tax and other tax and customs or any other export tax and fees of the same nature; (4) A five-year exemption from the production tax commencing from the date of production or operation depending on the nature of the project. The exemption period is extendable by another three years, and the profits will have the same exemptions provided they are being reinvested; and (5) Exemption from tax stamp to be imposed on commercial drafts and any other documents (Articles No. 10, 13 and 14 of the Law, and Articles No. 13, 14, 16 and 18 of the Executive Regulations).

The most important legal guarantee is immunity against nationalisation, dispossession, confiscation, custody or freezing or any other measures of the same nature unless imposed by law or a court order otherwise the victim should be entitled to a prompt and fair compensation, provided that any measures taken should not be selective, and that compensation should be based on the current market prices (Articles No. 20 and 23 of the Law and Article No. 30 of the Executive Regulations).

The key research question is: what is the opinion of the representatives in relation to the incentive and guarantee variables featured in the survey?

From the results the majority of local and foreign investors are dissatisfied with a number of the guarantees including with land (67.6%), and nationalisation (58.8%). By contrast 82.4% and 54.4% of the respondents were satisfied with the tax exemptions and profit transfer incentives respectively.

In relation to land ownership the results indicate that companies fully owned by foreigners, service sector companies and companies in operation stage suffer the most, although the position is improving. According to the interviews, the general administration is struggling to implement policies of land dispossession particularly along the coastal strip which constitutes part of the tourism scheme. This failure has

caused confusion among foreign investors. Therefore, it is not surprising that service companies suffer from these difficulties. Furthermore, companies which are fully owned by foreign investors lack the experience to overcome such difficulties compared with the joint companies which have local partners who are in the most part the land owners.

As far as the nationalisation guarantees are concerned the results suggest that the level of dissatisfaction is highest among joint and foreign companies, service sector companies, and companies already in operation. Negatively, the level of dissatisfaction rises with increasing business experience in Libya. This result could be attributed to the psychological factor associated with the previous nationalisation experience in Libya when the state nationalised the oil and gas sector and banks in the early 1970s, and productive private sector companies under the umbrella of the revolution of producers in 1978. However, as has been pointed out previously, the legislation grants all the necessary guarantees to foreign investors regarding anti-nationalisation, dispossession, confiscation, custody and freezing or any other measures of the same nature unless imposed by the law or a court order (Articles No. 20 and 23 of the Law and Article No. 30 of the Executive Regulations).

The results concerning tax exemptions suggest that the trend is positive, although foreign companies, service sector companies, and companies already in operation stage are less satisfied. However, the level of satisfaction rises with increasing business experience in Libya. These results can be explained by the fact that exemptions are given at the operational stage causing confusion among foreign investors particularly those who think that they are entitled to exemptions. Entitlement to these exemptions is a function of meeting certain conditions such as that the project contributes to regional development, food security, use equipment and measures that save energy and cut down water consumption, environmental protection, and that the a decision for exemption is approved by the GPC (Article No. 7 of the Law, and Article No. 17 of the Executive Regulation).

In conclusion: (1) the process of decision-making in relation to exemptions is a matter for a number of bodies starting from the LIB, through the GPC for Economy Trade and Investment and finally the GPC. It follows that the process of granting exemptions takes a long time which causes dissatisfaction among investors; (2) the process of decision-making can be described as purely arbitrary particularly in

relation to food security and environmental protection as the law has not been clear on these matters As a result the decision-maker has the power to decide what is best for the public interest, which implies that the matter is at the discretion of senior officials.

In terms of transferring of profits abroad the results suggest that, despite the trend being positive, industrial companies are the least satisfied. Positively, the level of satisfaction rises with increasing business experience in Libya. These results can be justified by the fact that there are some difficulties involved in relation to exporting capital. Although, the law for foreign investment allows investors to transfer their net profits, the main problem is that the approval of the Central Bank of Libya needs to be obtained in advance. The bureaucracy of the Central Bank constitutes a major obstacle, to the extent that the GPC has reviewed the measures and procedures of the Central Bank to ensure that this authority does not conflict with the conditions of the contracts with the foreign companies (GPC Meeting No. 30 of 2009).

9.9 PROPOSED POLICIES

The changing international environment, with globalisation as the key element, makes it almost impossible for a country to undertake policies that ignore the outside world. This is particularly true given the number of obstacles facing trade and the flow of foreign capital. Therefore, many countries adopt policies at both the macro and sectoral economic levels to create a suitable environment in order to attract FDI. In addition, the traditional concept of the relative advantage featuring the availability of natural resources, labour, climate and geographic location which allow cheap competitive production costs, has been replaced by the concept of competitive advantage which in addition to the above factors incorporates factors such as technological know-how, and the ideas associated with qualitative production in response to the needs and desires of customers. During the past few decade competitiveness has become a major global issue, as states are having to cope with a rapidly evolving world, which includes integration into the global economy, through policies of economic openness and the liberalisation of markets and the significant developments that have taken place in the field of information technology and telecommunication (Lall, 2001; Chabchoub & Oral 1997; Oughton 1997; Porter, 1990).

The competitiveness of the state is defined as its capability to achieve high levels of sustainable per capita income. Thus, while relative competitiveness concerns

low wages, competitive advantage implies improvements in productivity to compete in sectors in which wages can be high. These improvements in productivity can guarantee sustainable high growth of per capita income. The most important determinants of this ability are the size of imports and the flow of FDI as these two elements tend to make a strong impact on the per capita income provided that they are directed to economic sectors with high added value (Enright, 1998).

Ireland and Singapore provide successful examples of developing polices for attracting FDI as they have the support of international institutions such the World Bank and the UN as well as other international agencies such as USAID. The efforts made by these two countries during the past two decades have inspired many developing countries to follow suit (Wint, 2002). Ireland has managed to attract FDI not only in its capacity as a European state but also due to the many privileges it has made available to investors. Thus, Ireland has been able to boost the advanced industrial sector base on its highly educated and well-trained workforce, its reliable infrastructure and its legislative framework. Ireland has also created a competitive environment by reducing bureaucratic practice to a minimum, through expanding its trade relationships by participating actively in the EU and WTO, and through economic liberalisation by reducing income tax and establishing free trade zones (El-Fergani, 2007). In Singapore economic policies focus on encouraging FDI, building international trade and concentrating on education particularly technical education. Another important policy focuses state of the art technology in relation to the infrastructure, including ports, highway, airports and telecommunications. Singapore is the heaviest user of computers and e-mail in Asia (El-Fergani, 2007).

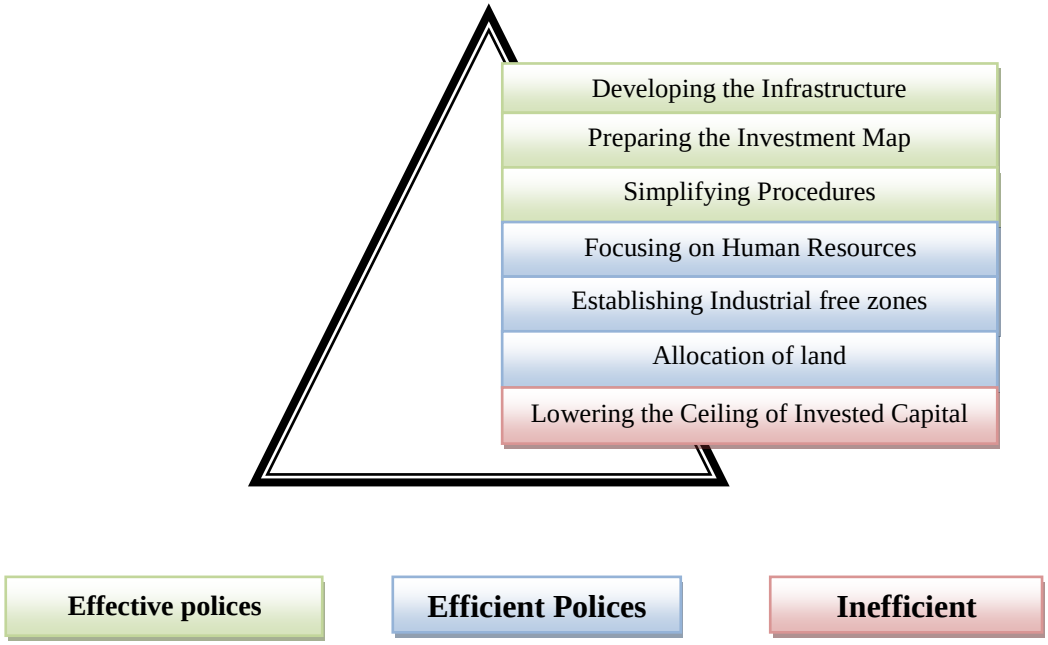
Senior Libyan officials concluded that the Libyan experiment of attracting FDI between 2003 and 2008 was successful. One interviewee stated that “despite the short period of time the LIB has managed to attract considerable foreign to all economic sectors” (Al-Aroush, 2009). Another interviewee argued that the future is promising provided that suitable solutions are devised to overcome the difficulties that have previously faced investors and the general administration. A third participant argued that the period has proved that the Libyan economy has high potential in terms of natural resources but lacks the foreign resources in all economic aspects.

The survey also featured seven aspects of proposed policies: the establishment industrial free zones; lowering the ceiling for invested capital; simplifying procedures;

allocating land; developing the infrastructure; establishing the investment map; and giving more attention to human resources. The respondents were of the opinion that the proposed policies had varying significance: at the top of the pyramid were policies which can be described as effective (with support from 80.0% to 100.0%): developing the infrastructure with 98.5% support, followed by the investment map (97.1%) and simplifying procedures (91.2%). Policies described as efficient had support ranging from 60.0% to 80.0%: giving more attention to the human element (77.9%), establishing industrial free zones (76.1%), and the allocation of land (61.8%). At the bottom of the list was the policy of lowering the ceiling for investment capital which was supported by only 16.2% respondents (see figure 9.2).

Investors favour one policy over another depending on their position and business experience of their companies. For example in terms of policies associated with simplifying the administrative procedures were considered effective policies by the board chairmen and general directors with 94.0% support. At the level of efficient policies were those related to human resources (78.3%), improving the infrastructure (77.7%), establishing industrial free zones (73.7%), allocation of land (64.2%), and the preparation of the investment map (63.8%). The ineffective policies feature lowering the ceiling of investment capital with support of 17.2%.

Figure 9-2 Hierarchal Importance of the Proposed Policies



At the level of managers and head of departments policies associated with the establishment of free zones (82.8%) and simplifying procedures (80.7%) were considered as effective policies. Policies associated with the development of infrastructure (75.8%) and human resources (75.7%) were considered efficient policies. Whereas policies related to the allocation of land (53.6%), the investment map (48.4%), and lowering the ceiling of invested capital (15.8%) were ranked as inefficient policies.

The results also revealed that from the point of view of the representatives of companies with relatively long business experience simplifying procedures, establishing specialised industrial estates, and human resources were considered a top priority, each gaining support of 100%, followed by improving infrastructure with 66.6% support. By contrast, the investment map and the allocation of land gained only 33.3% support each, while no one supported lowering the ceiling of invested capital.

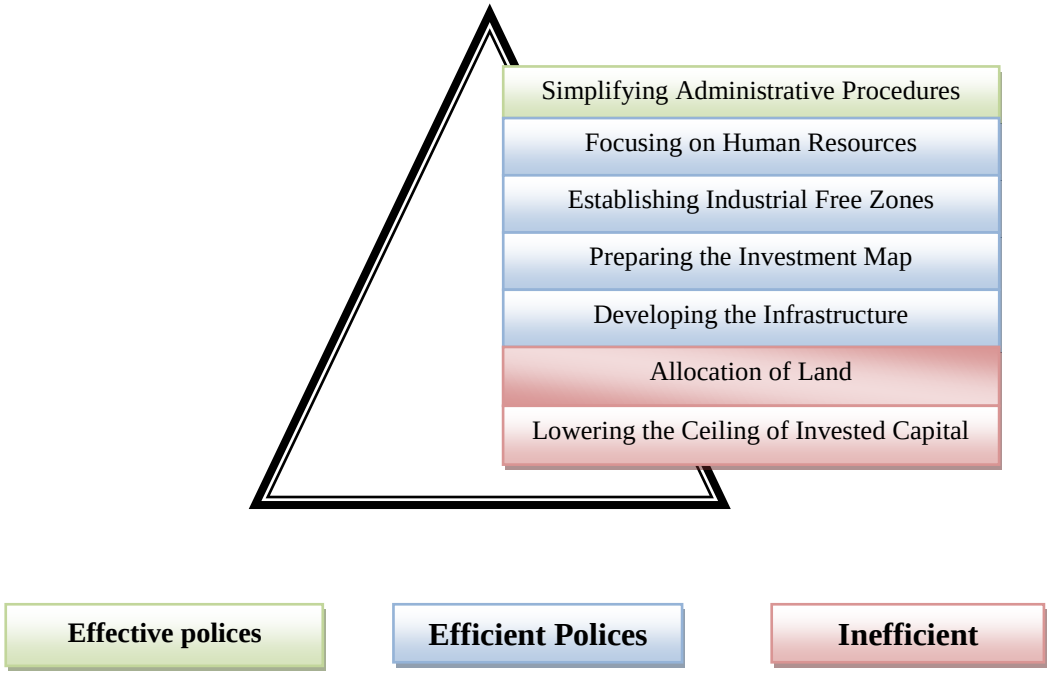
For companies that are relatively new to Libya, simplifying procedures come as a top priority with support of 90%, followed by infrastructure (76.9%), human resources (75.0%) and establishment of industrial free zones (71.8%). Other aspects such as the allocation of land (57.5%), the investment map (56.4%) and lowering capital ceiling (17.5%) come at the bottom of the list of priorities.

By comparing the views of the company representatives in term of position and the relative business experience of their relative companies with the general outcome highlighted in figure 9.3, the two are consistent in four areas: (1) simplifying the procedures as an effective policy; (2) placing greater focus on human resources, establishing industrial free zones, preparing the investment map and establishment and improvement of the infrastructure which can all be considered as efficient policies; (3) policies associated with the allocation of land and lowering the ceiling of invested capital are deemed to be inefficient policies.

The hierarchal arrangement of the proposed policies by the company representatives shown in figure 9.3 reflects the nature of difficulties faced by the participants. For example, in response to the question featuring the type of difficulties 58.8% of the representatives mentioned they have problems with bureaucracy, while 5.9% of the representatives highlighted financial problems. Therefore, it is not surprising that in the list of priorities simplifying procedures falls within the effective

policy zone while lowering the ceiling of investment capital falls within the inefficient policy zone.

Figure 9-3 New Hierarchy of the Proposed Policies



The main differences between the two figures is summarised as follows:

(i) Policies associated with the allocation of land falls within the zone of inefficient policies due to the fact that its lacks the support of managers and heads of departments and also companies that are relatively new, while it is deemed as effective by board chairmen and the general directors.

(ii) The policy focusing on improving the infrastructure was assessed as an effective policy by the board chairmen and general directors, while for managers and heads of departments as well as for companies that are relatively new in the business it falls within the zone of efficient policies.

(iii) The policy associated with the investment map was considered to be an effective policy by the representatives of the relatively new companies. However, representatives of companies with long business experience as well as the board chairmen and the general directors put this policy within the zone of efficient policies.

9.10 EVALUATION OF THE LIBYAN BUSINESS ENVIRONMENT: INTEGRATED ANALYSIS

After analysing and discussing the research data obtained from the questionnaire and interviews by using both descriptive and statistical analytical methods it is clear that the Libyan business environment variables are multiple and different (see table 9.1). In order to establish general conclusions regarding the Libyan business environment all the findings are now brought together. A SWOT (Strengths, Weaknesses, Opportunities and Threats) type of systematic analysis is developed. This type of systematic analysis is useful to establish an integrated result through the Porter Model in evaluating the Libyan business environment. Table 9.1 summarises the research findings in the form of variables to provide the basis for the integrated analysis.

Table 9.1 A Summary of Research Database for the Integrated Analysis

Indicator	Research Variable
Human Resource Indicators	
+	Representatives have a positive attitude towards the quality of human resources
_	There are many difficulties in terms of dealing with the local labour market, the most important of which is importing foreign labour to cover the scarcity of local skilled labour
+	High performance in human development
+	Well developed in social justice and the contribution of women
+	A young person's country
_	Unorganised labour market
+	Foreign investors are satisfied with the specifications of the human resources
_	Lack of experience in dealing with multinational companies
Natural Resource Indicators	
+	61.8% of foreign investors use local natural resources
_	Limited material supplies and high prices
+	An attractive location
_	Arable land at rate of 3%, invested in agriculture is 1%
+	The climate is a relatively diverse
_	A very limited water supply in areas suitable for agriculture
+	A wealth of high quality fish
_-_	The capacity of the MMRP is still limited and intangible
_	Weak performance in the agricultural sector: 3.5% of GDP in 2007
+	Relatively wealth of non-oil mineral resources
_	Weak performance in the industrial sector: 5.0% of GDP in 2007
+	Wealth of archaeological resources and nature tourism
_	Poor tourism sector infrastructure
_	Organisational and administrative problems in the tourism sector

Table 9.1 continued

Indicator	Research Variable
_	Lack of coordination between the public bodies to provide the infrastructure required for establishing industrial zones
_	There is no clearly defined industrial strategy
_	Lack of exploration studies
_	Lack of coordination between the public bodies to build the investment map
_	Problems of land ownership along the coastal strip
Infrastructure Indicators	
_	Representatives of foreign and joint companies are not satisfied with financial, electricity, water and sewage, and disposal and solid waste services
+	Representatives of foreign and joint companies are satisfied with telecommunication and transport infrastructure
_	Densely populated counties suffer more than rural counties from the poor quality of infrastructure services except in water and sewage, and telecommunication services
_	The agriculture and industrial companies are the most affected by the poor quality of infrastructure
_	Deterioration of infrastructure in the financial sector
_	Water sewage, disposal and solid waste services are deteriorating
+	Transports and telecommunication services are developing
_	Weakness in the banking system but steps to reform the system have been taken
_	Weakness in the capital and investment tools of insurance companies
+	Stock market launched in 2006
_	Weakness in electricity provision
_	Poor quality of public water
_	Poor quality of waste disposal services
_	Postage and delivery services are based on PO boxes without using street names and GPS does not exist
+	Reasonable development in mobile services
_	Poor infrastructure in the area of information exchange: limited number of internet users and subscribers
_	Average quality of land transport with organisational problems of using roads
_	Weakness in ports' capacities and facilities
_	Weakness in airports' capacities and facilities
_	Delays in the implementation of the railway project
Political and Social Conditions	
_	Representatives of foreign and joint companies are not satisfied with institutional and legislation stability
+	Representatives of foreign and joint companies are satisfied with low crime rate and entry and exit visas

Table 9.1 continued

Indicator	Research Variable
_	Institutional and legislation instability is deteriorating
+	Good relations with the most countries, especially in Africa and Europe
+	A high level of social stability
_	Instability in political institutions
_	Idea of tribalism still exists
Economic and Financial Concerns	
+	Representatives of foreign and joint companies are satisfied with importing capital and accounting procedures
_	Representatives of foreign and joint companies are not satisfied with exporting funds and the auditing system
+	Strong financial position
+	Strong GDP growth in recent years
_	High dependency on the oil and gas sector
+	Economic activities are based on private SMEs
Administrative Conditions	
_	Representatives of foreign and joint companies are not satisfied with the application procedure
_	Bureaucracy is the most significant obstacle in the Libyan business environment
_	Foreign companies are more affected by bureaucracy than others
+	Bureaucracy is getting less complicated
_	Instability in the administrative system
_	OSS is not activated
+	Limited number of FDI projects licensed, only 128 companies during the period 2003-2008
_	Weakness in the promotional campaigns
_	30 projects worth LD11.3bn (about UK£6.0bn) were cancelled during the period 2003-2008
Legal Conditions	
_	Representatives of foreign and joint companies are not satisfied with land ownership and nationalisation guarantees
+	Representatives of foreign and joint companies are satisfied with tax exemptions and transfer of profits
_	There is no constitution
_	Multiplicity of laws and regulations
Policies Towards FDI	
+	Economic liberalisation and encouraging the local private sector from 1986
+	Encouraging FDI from 1998, the establishment of the LIB, and from 2003 Libya has returned to the international community
+	There is a strategy to attract FDI but it is not formalised

By summarising the research findings and categorising them as variables the country's competitive advantage and SWOT models can be developed. The Porter Model of competitive advantage helps to identify the positive factors involved in the business environment, which constitute the nucleus of the strategy for attracting FDI, provided that the negative factors are improved to create an attractive environment based on international competitiveness. Furthermore, the SWOT model can help to identify the strengths and weaknesses in the Libyan business environment, as well as the opportunities and threats facing FDI companies.

9.10.1 Evaluating the Competitive Advantage of the Libyan Business Environment: Porter Model

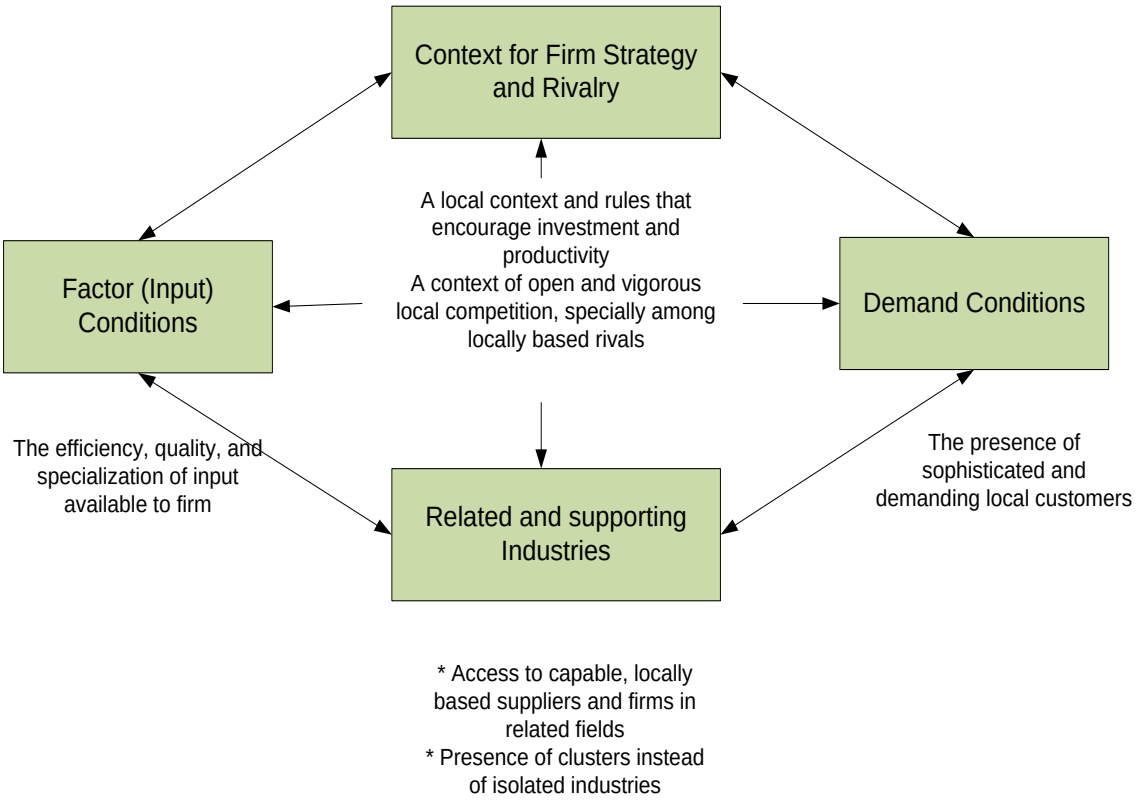
According to the Porter Model productivity in terms of how a nation or a region utilises its economic resources is the principal factor behind international competitiveness. Accordingly, productivity determines a nation's or region's standard of living (return on investment in economic resources).

It can be argued that the productivity of a nation or region is a reflection of the efficiency of the business environment, and the equitable distribution of opportunities between domestic and foreign companies. Furthermore, a nation should concentrate on developing those industries that have the potential to become highly successful, rather than focusing on every industry as not all can be highly competitive. To put the interaction of country and industry competitiveness in a theoretical framework, the Diamond Model of Porter was developed using the results from the data (Cho and Moon, 2000; Porter, 1998).

Porter's Model which is demonstrated in figure 9.4 consists of four factors that determine competitive advantage of a nation. The four factors are: factor conditions; demand conditions; related and support industries; and firm's strategy, structure and rivalry (Porter, 1998). These factors are considered to be the principal sources of competitive advantage of business environment, and together make it internationally competitive (Porter, 1990).

The Figure also shows Porter's model in relation to competitiveness and the business environment. The diamonds or factors in the model in relation to Libya are explained in the following sections starting with the factor conditions.

Figure 9-4 Competitiveness of the Business Environment



Source: The General planning Council for Libya,2006

9.10.1.1 Factor conditions in the Libyan business environment

Factor conditions are the situation in a region regarding the efficiency, quality, and specialisation of inputs available to companies. These factors can be grouped into human (qualifications, cost of labour, commitment, etc.), natural resources and infrastructure (administrative, information, scientific and technology). It is important to note that each nation or region has its own particular set of factor conditions; hence, each country will develop those industries for which the particular set of factor conditions are optimal. Table 9.2 shows the most important factor conditions in the Libyan business environment.

Table 9.2 Factor Conditions in the Libyan Business Environment

Existing Situation
(i**) Human Development Factors** +A high performance in human development + A young person's country + Well developed in social justice and the contribution of women + A high level of social stability **(ii) Geographical Factors** + An attractive location + The climate is relatively diverse **(iii) Economy Related Factors** (-) Relatively poor agriculture resources + A wealth of high quality fish + Relative wealth of non-oil mineral resources + Wealth of archaeological resources and nature tourism **(iv) Infrastructural Factors** (-) Weakness in the financial system but steps have been taken to reform it + Transport and telecommunication services are improving (-) Poor tourism sector infrastructure (-) Weakness in infrastructure of industrial zones (-) Weakness in the electricity network (-) Poor quality of public water (-) Poor quality of waste disposal services (-) Postage and delivery service is based on PO boxes without using street names and GPS does not exist (-) Average quality of land transport with organisational problems for using roads (-) Weakness in airports' capacities and facilities (-) Weakness in ports' capacities and facilities (-) The capacity of the MMRP is still limited and intangible (-) A reasonable development in mobile service (-) A very limited water supply in areas which are suitable for agriculture (-) Delays in the implementation of the railway project **(v) Information Technology and R&D Related Factors** (-) Poor infrastructure in the area of information exchange (-) Lack of business information (-) Lack of exploration studies

9.10.1.2 Demand conditions in the Libyan business environment

Demand conditions influence the shaping of particular factor conditions, which impact on the pace and direction of innovation and product development. According to Porter (1998) demand conditions are determined by three major characteristics: high customer expectations for products; local customer needs; and unusual local demand in specialised segments that can be served globally. Table 9.3 summarises the most important demand conditions in the Libyan business environment.

Table 9.3 Demand Conditions in the Libyan Business Environment

Existing Situation
+ A strong financial position + Strong GDP growth in recent years (-) Highly dependent on the oil and gas sector (-) Weak performance in the agricultural sector: 3.5% of GDP in 2007 (-) Weak performance in the industrial sector: 5.0% of GDP in 2007 + Easy market access to African and Arab countries

In terms of demand conditions, the Libyan economy has a strong financial position with high rates of economic growth especially in recent years. It also provides an easy access to African and Arab markets. However, the economy is highly dependent on the oil sector which is subject to external variables such as production and prices. This dependence on oil is unreliable given the poor performance of the non-oil sectors.

9.10.1.3 Related and support industries in the Libyan business environment

According to the Porter Model related and support industries help make local industry more competitive as firms can enjoy more cost effective and innovative inputs. This effect is strengthened when the suppliers themselves are strong global competitors. Table 9.4 shows the most important related and support industries in the Libyan business environment.

Table 9.4 Related and Support Industries in the Libyan Business Environment

Existing situation
+ Economic activities are based on private SMEs (-) Unorganised natural resources' market provides limited supply and high prices + Ease of importing capital and accounting procedures (-) Difficulties in exporting funds and the auditing system (-) Unorganised labour market

In the area of related and support industry the Libyan business environment is characterised by the private SMEs and the smooth flow of capital into the country. However, a number of problems exist in relation to the organisation of the markets of raw materials, which curtails the supply of these materials leading to price increases. Another weakness is the poor organisation of labour markets and the consequent difficulties of importing foreign labour and the scarcity of skilled local labour.

9.10.1.4 Firm strategy, structure and rivalry in the Libyan business environment

Firm strategy, structure and rivalry include the local context and rules that encourage FDI in a context of open and vigorous local competition. Table 9.5 displays the most important firm strategy, structure and rivalry in the Libyan business environment.

Table 9.5 Firm Strategy, Structure and Rivalry in the Libyan Business Environment

Existing Situation
(i) Country General Specific Infrastructural Issues
(-) There is no constitution (-) Institutional and legislation instability is deteriorating (-) Instability in the administrative system (-) Multiplicity of laws and regulations (-) Idea of tribalism still exists + Crime rate and entry and exit visas are at acceptable levels
(ii) Business Related Infrastructural Issues
+ Tax exemptions and transfer of profit are at acceptable levels (-) Bureaucracy is the most significant obstacle but it is becoming complicated (-) There is no investment map (-) Problems of some land ownership (-) OSS is not activated
(iii) FDI related Structural Issues
(-) There is a strategy to attract FDI but it is not formalised + Encouraging FDI from 1998 with the establishment of the LIB (-) Weakness in promotional campaigns (-) Guarantees provided are not sufficient + In 2003 returned to international community + Stock market launched in 2006 (-) Limited FDI projects licensed, only 128 companies in the period 2003-2008 + Encouraging the local private sector from 1986 (-) Lack of experience in dealing with multinational companies (-)30 projects worth LD11.3bn (UK£6.0bn) were cancelled during the period 2003-2008

From the model of competitiveness it is apparent that a number of factor conditions characterise the Libyan business environment in relation to attracting FDI into the country. According to the findings human resource competencies, social stability and young and cheap labour are the main positive characteristics of the factor conditions. In terms of natural resources Libya has a unique geographic location and a diversity of climatic conditions. Also, apart from substantial oil reserves, Libya is rich in other resources such as minerals, fisheries, arable land and animal resources. Despite these positive advantages, the physical infrastructure in Libya is weak apart from the transport and telecommunication sector which are relatively strong. Libya also lags behind in the area of information technology and research including inadequate business information.

In relation to firm strategy, structure and rivalry the policies aimed at encouraging FDI since the new millennium represent are the most important factors. Furthermore in the past decade policy-makers have made great efforts to improve bilateral relations with all countries particularly with the Western and African countries. However, despite these efforts, the general structure and policies in relation

to the Libyan business environment still require considerable attention to bring about the political and administrative stability, as well as the stability of laws and regulations. Furthermore, intensive media campaigns need to be launched with all the necessary legal and political guarantees for attracting FDI into the country.

9.10.2 SWOT Matrix Structure for the Libyan Business Environment

After establishing the determinants of Porter's Model, the findings were brought together using a SWOT analysis to help reach a conclusion. SWOT analysis is a straightforward model that provides direction and serves as a basis for the development of marketing plans. It accomplishes this by assessing 'strengths' (what an organisation can do), 'weaknesses' (what an organisation cannot do), 'opportunities' (potential favourable conditions for an organisation) and 'threats' (potential unfavourable conditions for an organisation) (see table 9.6). SWOT analysis is an important step in planning and its value is often underestimated despite its simplicity.

Table 9.6 SWOT Matrix Structure for the Libyan Business Environment

	Favourable Effects	**Adverse Effects**
Internal Resources	Strengths	Weaknesses
External Factors	Opportunities	Threats

The SWOT matrix for Libya based on the research findings is constructed in table 11.8. The top row highlights the strengths and weaknesses of the Libyan business environment while the bottom row demonstrates opportunities and the threats facing both foreign investors and Libyan senior officials (SWOT Analysis, 1998). Thus, table 9.7 shows the SWOT matrix of FDI and the Libyan business environment.

Table 9.7 The SWOT Matrix of FDI and the Libyan Business Environment

Strengths	Weaknesses
• A young person's country • High performance in human development • Well developed in social justice and the contribution of women • 61.8% of foreign investors are using local natural resources • An attractive location • A wealth of high quality fish • Relative wealth of non-oil mineral resources • Wealth of archaeological resources and nature tourism • Transport and telecommunication services are improving • Stock market launched in 2006 • Good relations with the most countries especially in Africa and Europe • A high level of social stability • A strong financial position • Strong GDP growth in recent years • Bureaucracy is becoming less complicated • Limited FDI projects licensed, only 128 companies during 2003-2008 • Encouraging the local private sector from 1986	• The most important difficulty in relation to the labour market is importing foreign labour because of the scarcity of skilled local labour • Unorganised labour market • Arable land at rate of 3%, invested in agriculture is 1% • Low performance in the agricultural sector: 3.5% of GDP in 2007 • Low performance in the industrial sector: 5.0% of GDP in 2007 • Weak in tourism sector infrastructure • Organisational and administrative problems in the tourism sector • Lack of coordination between the public bodies to provide the infrastructure required for establishing industrial zones • There is no clearly defined industrial strategy • Lack of exploration studies • Lack of coordination between the public bodies to formulate the investment strategy • Problems of land ownership along the coastal strip • Densely populated counties are suffer more than the rural counties from poor quality of infrastructure services except in water and sewage, and telecommunication services • Deterioration of the financial sector • Water sewage, disposal and solid waste services are deteriorating • Weakness in the Libya bank system but steps taken to reform it • Weakness in the electricity network • Poor quality of public water • Poor quality of waste disposal services • Postage and delivery services are based on PO boxes without using street names and GPS does not exist • Average quality of land transport with organisational problems of using roads • Weakness in airports' capacities and facilities • Weakness in ports' capacities and facilities • Highly dependent on oil and gas sector • OSS is not activated • Weakness in promotional campaigns • There is no a constitution • Multiplicity of laws and regulations

Opportunities	Threats
• Respondents have a positive attitude towards the quality of human resources • High performance in human development • Well developed in social justice and the contribution of women • Foreign investors are satisfied with the specifications of human resources • An attractive location • Arable land at rate of 3%, invested in agriculture is 1% • Climate is a relatively diverse • A wealth of high quality fish • The capacity of the MMRP is still limited and intangible • Relative wealth of non-oil mineral resources • Wealth of archaeological resources and nature tourism • Representatives of foreign and joint companies are satisfied with telecommunication and transport services • Transports and telecommunication services are developing • Stock market launched in 2006 • Reasonable development in mobile services • Representatives of foreign and joint companies are satisfied with crime rate and entry and exit visas • Good relations with the most countries especially in Africa and Europe • Representatives of foreign and joint companies are satisfied with importing capital and accounting procedures • Economic activities are based on private SMEs • Bureaucracy is becoming less complicated • Representatives of foreign and joint companies are satisfied with tax exemptions and transfer of profit • Encouraging the local private sector from 1986 • Encouraging FDI from 1998 with the establishment of the LIB, and in 2003 Libya returned to the international community • There is a strategy for attracting FDI but it is not formalised	• Lack of experience in dealing with multinational companies • Limited material supplies and high prices • A very limited water supply in areas which are suitable for agriculture • There is no a clearly defined industrial strategy • Problems of land ownership along the coastal strip • Representatives of foreign and joint companies are not satisfied with financial, electricity, water and sewage, and disposal and solid waste services • The agricultural and industrial companies suffer the most from poor quality of infrastructure • Financial sector, water sewage, disposal and solid waste services are deteriorating • Weakness in the banking system but steps have been taken to reform the system • Weakness in capital and investment tools of insurance companies • Poor quality of waste disposal services • Poor infrastructure in the area of information exchange: limited number of internet users and subscribers • Average quality of land transport with organisational problems of using roads • Delays in the implementation of the railway project • Weakness in airports' capacities and facilities • Weakness in ports' capacities and facilities • Representatives of foreign and joint companies are not satisfied with institutional and legislation stability • Institutional and legislation instability is deteriorating • Idea of tribalism still exists • Representatives of foreign and joint companies are not satisfied with exporting funds and the audit system • Instability in political institutions • Representatives of foreign and joint companies are not satisfied with application procedures • Bureaucracy is the most significant obstacle in the Libyan business environment • Foreign companies suffer more from bureaucracy than other companies • Instability in the administrative system • OSS is not activated • 30 projects worth LD11.3bn (UK£6.0bn) were cancelled between 2003 and 2008 • Representatives of foreign and joint companies are not satisfied with land ownership and nationalisation guarantees • Multiplicity of laws and regulations

From the SWOT matrix, it is clear that the weaknesses outnumber the strengths. The most important points of strength, which are considered as opportunities, are the strategic geographic location and other natural resources such as fisheries, tourism sites and the non-oil mineral resources which have not been used effectively. Also, in the past decade Libya has altered its policies constructively to put the country on a positive track, including: most importantly, improving political relations with the majority of Western countries; liberalising the national economy from the previous domination of the public sector; encouraging local and foreign investment; and establishing a stock market as part of the process of liberalisation in order to facilitate the entrance of multinational companies to help build the Libyan economy.

The points of weakness, which are considered a threat to FDI, include: the lack of a clear cut industrial strategy; problems associated with land ownership on the coast which interfere with tourism planning; poor infrastructure; the failure to establish a one-stop-shop (OSS) for assisting investment; and the multiplicity of laws and regulations.

9.11 CONTEXTUALISING OF THE FINDINGS

Despite the numerous obstacles and shortcomings associated with the business environment in Libya, it is relatively favourable for attracting FDI to the non-oil sectors. 93 foreign and joint companies were established in the non-oil and gas sectors during the period of 2003-2008, of which 63 companies are now in operation stage. These companies operate in all sectors, creating more than 7,000 job opportunities, and making use of local raw materials which would have otherwise remained unexploited (LIB, 2008).

This success can be partially attributed to the positive results which have been achieved in the area of human development, which have made it possible for the country to devise appropriate policies to achieve a specific transformation of the living standards of the citizens making Libya one of the highest performing countries in the area of human development (Human Development Report, 2007). In addition, social stability and the potential of young and cheap labour have been instrumental in attracting FDI into the country.

This success can also be partially ascribed to the fact that the Libyan market can be described as pristine with a variety of economic resources particularly in the area tourism that can be exploited. This is in addition to its excellent geographic location and the associated advantages with regard to trade and transport. Moreover, the country is characterised by its access to high quality fisheries which provide opportunities for investment in the food industry. Furthermore, the non-oil mineral resources provide opportunities for investment in the manufacturing sector especially in the area of the construction materials industry and construction itself.

This success can also be partially attributed to the relative development of certain elements of the infrastructure that have been the focus of attention of previous development plans particularly since the commercial production of oil for export in 1963. In this context the telecommunication and transport services could represent a model for a relatively positive role if these services are expanded internationally, as these elements could facilitate further investment projects both vertically and horizontally.

It is also possible to attribute this success partially to the fundamental development and execution of policies which are based on the strong financial position of the country supported by high rates of economic growth, especially in recent years. The most important of these policies has been to enhance the role of both the local and foreign private sectors, and create an appropriate business environment based on competitiveness. Indeed, the Libyan investment climate has witnessed significant developments particularly following the enactment of Law No. 5 of 1997 and the associated amendments to the law, and the establishment in 1998 of an institutional framework to organise FDI. This has been supported by the relative stability in the political, social and security fields, and the resumption of international and regional relations following the lifting of international sanctions on Libya in 1999. The privatisation programme which commenced in 2003 and the establishment of the Libyan stock market in 2006 have also made a considerable impact on boosting the creation of SMEs.

The conditions associated with making the Libyan business environment more attractive are numerous, diversified and inter-related. The new conditions created can either support or constrain investment. Furthermore, the relative importance of the different elements may vary between investors depending on their aims, tendencies,

desires, culture and previous experience (Abdulla, 2002). Nonetheless, a number of the elements could be common to most of investors such as stability and the simplification of administrative procedures, as identified in this study.

However, despite all these successes in providing opportunities for FDI, many foreign and joint projects have been called off as a result of the difficulties they faced. Therefore, the Libyan business environment can achieve better results through becoming more competitive and attractive. This requires that Libyan development polices avoid the various obstacles discussed below:

First: the Libyan development has failed to develop a clear vision to outline an economic development strategy with well-defined goals and methods. However, within the first 30 years of an independent Libya, the structure of the political and economic systems passed through three stages. Furthermore, there have been more than 10 changes in the general administrative divisions. As a result, these changes have led to institutional instability as well as instability in laws and regulations which have created the conditions for the subsequent deterioration of economic performance.

Second: Libyan development has failed to attain its competitive advantages, which have been identified by this study. Comparative advantage traditionally refers to the elements for development available to the economy such as natural resources, workforce, geographic location, etc. which allow competitive international productivity. However, other elements, such as technology, production ideas, and quality of production based on the requirements and needs of customers, are necessarily important for sustainability (Porter, 1998; Chabchoub & Oral, 1997; Oughton, 1997; Lall, 2001). In order to achieve competitive advantage the Libya business environment needs to pay more attention to informational, knowledge bases and improve the physical infrastructure, as articulated by the findings of this study. Furthermore, it needs to give more attention to the efficient management of natural resources, with the objective of improving the investment climate.

Third: even though the Libyan development has achieved a number of successes in relation to human development, it has failed to achieve a comprehensive human development to convert the society from a Bedouin society dominated by tribal loyalties to a civil society where law and order dominates. A comprehensive human development tends to give individuals wider options, which indicate a more

advanced understanding of individual rights and that, in principle, these rights can be described as unlimited and changeable with time. In this context, every individual must have the right to live a long and healthy life, must have the right to acquire knowledge, and must have access to the resources that allow each individual to enjoy a good quality of life. However, the concept of comprehensive human development should go beyond this to include other essential requirements such as social and political freedom, including most importantly the freedom of expression and thought. Fruitful thinking is always associated with a positive outcome that tends to boost economic development. Therefore, to inhibit thinking will prevent the acquisition of knowledge as well as sustainable economic development (Jones, 1988; Romer, 1998).

Fourth: the country has failed to manage its natural resources effectively to achieve effective sustainable economic development. Libyan natural resources, excluding oil and gas, suffer from poor management in the fields of conservation and optimal exploitation. The most important element in achieving sustainable environmental development is through supporting research in the areas of exploration of maintenance of resources. In addition, the resource-related markets should be organised to ensure that the quality of output is well maintained.

Fifth: Libyan development has been curtailed by the failure to improve sufficiently the physical infrastructure services which can promote economic growth. This is an important conclusion of this study. All elements of the infrastructure, including communications and transportation, still suffer from underdevelopment, as concluded in the earlier chapters. In order to attract further FDI, a strong physical infrastructure that helps in the establishment and growth of projects needs to be developed.

Sixth: as established in this study, Libyan development has failed to make use of the information revolution in an effective way, as it failed to capitalise on the earlier industrial revolution. Libya is to a great extent unaware of the advances in information technology due to many reasons. These include technological illiteracy, the weak infrastructure and legislation in relation to e-government and the subsequent failure of the government system to introduce fundamental changes to improve performance. For example, the use of internet for communication between the different government departments is insignificant if not impossible which indicates that Libya has still a long way to go to achieve the correct level of e-government in

order to boost economic performance. However, the main challenge is the change from the traditional system of governance (hierarchal system of governance and the locally confined economy activity) to a flexible system of governance to cope with the international business environment, and a digital economy based on information (Battelle, 1998).

Seventh: contrary to the business environments in Ireland and Singapore, Libyan development polices lack many of the key elements. The two most important missing elements are: a focus on the establishment of the education system that meets the requirements of a modern economy; and the establishment of an environment that encourages the market economy and curtails bureaucratic intervention. In addition, the following must also be addressed: expanding international trade by joining the WTO; establishing free trade zones; adopting the one-stop shop policy; the development of the infrastructure in relation to a system of governance in terms of e-trade and e-government; and the opening of the skies and seas to boost the air and sea transport industries.

9.12 SUMMARY

Several issues have been discussed in this chapter related to the Libyan business environment and its suitability for attracting FDI, particularly in the non-hydrocarbon sectors.

The conclusions and outcomes about the suitability of the Libyan investment environment for attracting FDI to the non-oil sectors were derived from the analysis of the answers to the questionnaire that was completed by the representatives of foreign and joint companies, and from the structured interviews that were conducted with the Libyan senior officials. These conclusions will be highlighted in the next chapter.

CHAPTER TEN
CONCLUSION

10.1 INTRODUCTION

This chapter summarises the research findings that have been drawn from the primary and secondary data. The secondary data was mostly in the form of literature review, which is based on a number of investment and economic development theories. The primary data was collected through a survey conducted by using a questionnaire with representatives of the foreign and joint companies in order to discover their opinions in relation to the Libyan business environment. A structured interview technique was also used to gauge the opinions of the senior Libyan officials, whose jobs were related to FDI operations, with the objective of establishing the most important challenges facing the public administration in order to improve the business environment.

By qualitative techniques of data collection and analysis, this study has correlated the representatives' attitude with the Libyan senior officials' views about the research questions, and attempted to find out if the Libyan businesses environment is appropriate for attracting FDI, particularly to the non-oil sectors.

This chapter includes four major sections in addition to the introduction. The second section summarises the empirical results. In addition, section three deals with most important recommendations, while the last section contains suggestions for further research.

10.2 SUMMARISING THE EMPIRICAL FINDINGS

This research being a discursive and importantly an empirical study produced valuable and significant findings. The most important of these findings can be summarised as follows:

(i) The structured interviews with the senior Libyan officials indicated that the FDI has to some extent contributed towards reducing the level of unemployment by creating about 7,000 new jobs (LIB, 2008). Moreover, given the level of technology transfer associated with FDI inflows, it has contributed towards improving human

skills not only in foreign and joint companies but also in local firms. In addition, the use of local natural resources has been improved.

(ii) The field study showed that the majority of the companies' representatives appear to be satisfied with the quality of human resources in terms of technical know-how, language and team-work. However, the companies face difficulties associated with employment particularly in relation to the laws which curtail the import of foreign labour, which is necessary as the supply of local skilled labour is inadequate.

(iii) The questionnaire analysis showed that 61.8% of the companies use local natural resources particularly companies in the agricultural and industrial sectors. The results also revealed that all companies with more than four years of business experience in Libya use the local materials compared to only 62.5% of the relatively new companies. This can be explained by the fact that the government has been recently focussing on attracting companies associated with the service sector.

(iv) The study also found that the majority of the company representatives have faced difficulties in relation to the use of local natural resources. Most importantly these difficulties include short supply, high costs and poor quality. The results also show that companies in the industrial sector in all locations complain about the meagre resources available compared with their counterparts in other sectors. Furthermore, the situation is becoming worse. Also, companies in the service sector as well as companies operating within the county of Tripoli suffer more than their counterparts in relation to local materials and associated marketing problems which are worsening. Likewise companies in the industrial sector and those companies operating in the neighbouring Al-Jfara and Tripoli counties complain about the low quality of the local materials. These problems can be traced back to the lack specialised markets to organise the distribution of raw materials which has resulted in the imbalance in the supplies. Furthermore, the transport of these materials from the production sites in rural areas to major industrial areas such as Tripoli, Benghazi and Al-Jfara takes place under unhygienic conditions.

(v) The analysis of the interviews indicated a degree of mismanagement in relation to natural resources. This is because very limited research has been conducted in order to incorporate these resources in an investment map so that projects can be located near the sites where these materials are produced. This would allow the

resources to be easily processed, used for production and final consumption. Also, the fact that most of the counties have failed to cooperate with the LIB to produce an investment map reflects the lack of awareness of the former on economic concerns.

(vi) The questionnaire analysis shows that various levels of satisfaction exist among company representatives with regard to the provision of infrastructure services such as telecommunications and transportation including air, sea and land transport. Furthermore, different levels of dissatisfaction exist in relation to other infrastructure services including banking and insurance, postal and delivery, electric power, water, and solid sewage disposal. This result reflects a variation in the levels of these services, and that the relative importance of these services varies among investors on the location of their relevant companies, the sector, their culture, and their previous experiences.

(vii) Despite the fact that most of the company representatives are satisfied with the land transport services, companies in the service sector and foreign and joint companies operating in counties with high population densities and where investment is intense as is the case with Tripoli and Al-Jfara suffer more from poor land transport services. This could be due to weaknesses associated with these services as well as the methods of using them. Most importantly, this includes: traffic congestion in the city centres as a result of overcrowding of vehicles; poor urban planning to cope with traffic; the mismanagement of public transport systems; the lack of regular bus stops; special plates for the public transport vehicles; and a central control office for the service. In addition, the lack of underground metro services, particularly in the major cities such as Tripoli and Benghazi, exacerbates the situation.

(viii) The study revealed that sea transport services are in a worse situation than land transport services. The main point is that the level of dissatisfaction with these services was higher than the general average, which can be explained by the fact that the companies involved use sea transport more often than their counterparts. Consequently, this highlights the setbacks of the management of sea transport services, most importantly the failure to update the ports through introducing state of the art equipment; most ports on the Mediterranean Coast do not have international standards in relation to shipping.

(ix) The field study showed that the majority of the company representatives expressed their satisfaction with air transport services, but for companies in the industrial sector the level of dissatisfaction was higher than the average. This could be ascribed to a number of reasons, the most important of which is that most airports in Libya, particularly international ones, are located in counties where the population density is high and investment is intense, are well below international standards. One of the major problems is that airports in major cities such as Tripoli, Benghazi and Sabha are considered overcrowded as these airports were not designed to cope with needs of the passengers in the contemporary era. This is particularly the case with Benina International Airport in Benghazi which falls far short of providing services to an acceptable standard.

(x) The results from the questionnaire analysis indicated that respondents in all sectors complained about poor banking services which they describe as unsatisfactory particularly in respect to the agricultural sector. Furthermore, the results indicate that representatives from counties where the banks are widespread are also unhappy with the service. The fact that the six major banks are owned by the public sector could be the main reason behind the poor and deteriorating level of banking services.

(xi) The field study revealed that the majority of the respondents expressed their unhappiness with the provision of insurance services. According to the results the level of dissatisfaction with the service is similar across the sectors, although the agricultural sector is the most affected. Also the level of dissatisfaction is even higher in counties with intense economic activity such as Tripoli and Benghazi. This could be due to the inadequate capital of the insurance companies resulting in poor service.

(xii) The questionnaire results revealed that the investors were not happy with electricity, water and sewage services as well as the postal and delivery services to varying levels of dissatisfaction. However, companies in the agriculture sector suffer the most in the area of electricity, water and sewage and the disposal of waste, while companies in the service sector suffer the most in relation to postal and delivery services. Furthermore, in major counties such as Tripoli and Benghazi these services are deteriorating.

(xiii) The findings of the study demonstrates that the major problem regarding the electric services is the intermittent power cuts particularly in Tripoli due to rises in

temperature during the summer time. In addition, the difficulties associated with electric power connections to agricultural companies in the rural areas. Moreover, the connection of the network in Libya to the Egyptian network at the level of 220 volts has weakened the former, as the reliable and stable supply was not more than 150 MW at best.

(xiv) The results showed that despite the adequate networks for the supply of water for drinking and domestic use in most regions, problems exist as to the low quality of the water due to contamination with sea water particularly in recent years. In addition, most counties particularly the rural counties suffer from poor network connections. In the area of sewage services the most significant shortcomings are the poor infrastructure and the lack of facilities outside the major cities. Nonetheless the city of Benghazi suffers from the fact that the sewage is carried via old pipes only to be dumped to form a lake on the eastern outskirts of the city.

(xv) The questionnaire analysis showed that most company representatives are unhappy with solid waste disposal services. The poor service in this area is due to too many factors to mention but includes the problem of organisation in relation to the cooperatives and insignificant role of the state.

(xvi) The findings from the questionnaire also revealed that the bulk of the company representatives were unhappy with the postal and delivery services particularly companies in the financial sector which use this service more than other companies. This is due to the fact that postal and delivery services depend on the P.O. Box system rather than a postcode and the lack of GPS service. Developing a postcode system requires the organisation and coding of houses and streets.

(xvii) The study found that the company representatives were unhappy about the stability of the public institutions and the effective regulations. This level of dissatisfaction is higher among joint companies than foreign companies. The same can be said about counties where investment is intense and the public institutions are numerous as the case with Tripoli, Benghazi and Al-Jfara. The results also showed that the levels of dissatisfaction increase with time due to the poor performance of the government resulting in institutional instability and the consequent uncertainty of the associated legislation. This instability has been on-going for three decades following

the political, economic and administrative changes that have taken place in the country.

(xviii) The results indicated that the majority of the company representatives have no worries about the crime rates. This positive attitude can be explained by the fact that Libya is neither a suitable environment for local crime nor does it provide a base for international terrorism. However, the results indicate that crime rates are on the rise spurred by the economic problems of the high unemployment rates and the high rates of inflation.

(xix) As found by the study, the majority of foreign investors expressed satisfaction with the visa services, and that the level of satisfaction increases with the business experience of the companies involved. This positive result can be justified by the fact that Libya maintains good relations with many countries and regional and international organisations particularly following the lifting of sanctions in 1999.

(xx) The study found that in terms of its small population (not more than six million in 2006) and gross national product (not more than US$5.0bn in 2008), the Libyan market is classified as a small economy. However, the economy is expanding at the high rates of population growth (1.8% per annum) and the high rates of economic growth (6.0% per annum).

(xxi) The majority of the company representatives are happy with procedures associated with the movement of capital into the country, but that the respondents with a long business experience in Libya or elsewhere are less satisfied with the procedures than their counterparts in companies which are relatively new in the business. The main problem in this area lies with opening banking accounts with local banks.

(xxii) The study revealed that the majority of the company representatives expressed their dissatisfaction with the procedures of transferring money out of the country, and that the problem becomes worse with time. This is due to the complicated procedures which require the advanced approval of the Central Bank of Libya.

(xxiii) The majority of company representatives were satisfied with the principals of accounting, and that the level of satisfaction was higher among companies with a longer business experience in Libya and elsewhere than companies

which are relatively new to international business. These results can be justified by the fact that the accounting system matches international standards.

(xxiv) As can be seen from the findings presented earlier, the majority of the company representatives were unhappy with auditing procedures in Libya, and that the level of dissatisfaction decreases with increasing business experience of the companies involved in Libya and elsewhere. This can be ascribed to a number of factors, the most important of which is the financial controls imposed by a number of the counties. However, these controls are becoming less intense.

(xxv) The study reveals that despite the efforts made by the GPC, particularly during between 2003 and 2007, on restructuring the administrative system by cutting down the number of public institutions, reducing the number of government employees and simplifying procedures through the one stop shop (OSS), bureaucracy still dominates the business environment. Thus the company representatives were not happy with the procedures, and that the level of dissatisfaction increases in line with the importance of the position held by the respondent. For example, at the required documentation stage the level of dissatisfaction was 75.0% increasing to 79.0% at the application processing stage. This can be attributed to two reasons, one of which is the many government bodies involved in the process which tends to increase the number of required documents, and second the LIB is excluded from final process of decision-making which tends to prolong the process. Furthermore, according to the law of investment the LIB has to review and refer the applications to decision-makers within 60 days.

(xxvi) The findings from the questionnaire analysis showed that all companies with longer business experience in Libya had obtained their licences within a month to two months period, while 60.0% of the relatively new companies with less than two years of business experience in Libya obtained their licences within two to four months. The results also show that service companies fully owned by foreigners suffer the most in this area, although the delays become less intense with time. The main problem originates from the procedures associated with land ownership along the coastal strip, which have wreaked havoc among foreign investors in the tourism sector.

(xxvii) The majority of company representatives expressed their dissatisfaction with the guarantees given to them in relation to land ownership. In this context companies fully owned by foreign investors and service companies suffer the most, although this falls over time. The main difficulty concerns the disposal of land particularly land allocated within the coastal strip for tourism which has caused confusion for foreign investors. Moreover, companies fully owned by foreign investors have relatively little experience to overcome such difficulties in comparison to joint ventures which have local partners.

(xxviii) The field study disclosed that majority of company representatives are dissatisfied with the guarantees provided, and that the level of dissatisfaction is greater in the case of joint companies and service companies. The level of dissatisfaction also rises with the increasing business experience of the companies involved. These results could be psychologically affected by the nationalisation of foreign banks in 1970 and the nationalisation of a number of industries in 1978 as part of what was known as the producers' revolution. However, the current legislation in Libya provides all the necessary guarantees against nationalisation, dispossession, seizure, confiscation, receivership, freezing and other procedures of similar effects unless stated by law or a court decision in which case the victim will be entitled to suitable compensation.

(xxix) As the study shows, the majority of company representatives are happy with the tax exemptions offered and that the level of satisfaction rises with the increasing business experience of the companies involved. However, despite the fact that the general attitude is positive, foreign companies and service companies suffer the most. These results could be explained by the exemptions are always conditional and the decision is discretionary. Therefore, it is a matter for the public employee to decide, and that the bureaucracy could make things worse.

(xxx) The majority of the company representatives expressed their satisfaction with the guarantees given to them in relation to the transfer of profits abroad. However, industrial companies suffer the most in this area. Positively the level of satisfaction improves with the increasing business experience of the companies involved. The main problem is that the transfer of money abroad requires the advance consent of the Central Bank of Libya, and therefore foreign investors have to overcome the bureaucracy involved.

(xxxi) The field study revealed that company representatives describe the policy of simplifying procedures as making an effective contribution towards improving the business environment in Libya. This is due to the existence of administrative and organisational obstacles: 58.8% of the respondents complained about bureaucratic practices.

(xxxii) The findings show that respondents describe policies focusing on human resources, the establishment of industrial free zones, the establishment of an investment map, and the development of the infrastructure as efficient policies. While policies focusing on the allocation of land and reducing the level of required capital are described by the representatives as less efficient policies. Identification of these factors indicates that investors are more concerned with the availability and quality of economic resources than other requirements of investment such as political guarantees.

10.3 RECOMMENDATIONS

According to the findings of this research, the following recommendations can be made to improve the Libyan business environment in order to attract further FDI inflows:

(i) Libya must be transformed into a constitutional state. Accordingly, a modern state would be established to match the advanced revolutionary era in Libya. At this stage a constitution is needed, which outlines the general framework of the modern state in order to bring stability to the systems and the associated legislation. It should be noted that economic and financial progress and development requires well defined legal norms, the beginning of which is the constitution, as the constitution defines the nature of the economy.

(ii) Information technology and e-government are crucial for the development of the country and making it attractive for FDI. Such a framework is possible with the achievement of technological advances in the area of telecommunications and the uninhibited flow of information in order to maximise the benefit of the information revolution. This will help bring about institutional stability and will improve the general performance of the economy facilitating its integration with the global economy. Furthermore, it will facilitate the transformation process from the present model based on the centralisation of power and hierarchical authority to a digital

model of government based on information and team spirit. However, in the short-term it is paramount that the information systems for the different arenas such as social benefits, health, education, etc. are completed taking into account recruitment to increase the personnel in these sectors. In addition, the introduction of the electronic working environment as a main tool to crackdown on bureaucracy and corruption and to increase the level of coordination between the various government bodies is necessary.

(iii) Facilitation of FDI is essential in order to boost economic development. This implies the facilitation of the movement of capital into and out of the country through a highly developed control system to prevent organised crime such as money laundering. Also, efforts need to be coordinated with regional and international institutions to reassure investors by granting them guarantees against the risks of nationalisation, dispossession, seizure, reservation or freezing or any other procedures with a similar effect unless by law or a court order in which case the victim will be entitled for prompt and fair compensation. Thus, efficient and proper regulation is essential, which should be enshrined by the legal system.

(iv) Expansion of the private sector is essential for making Libyan economy attractive to FDI. Thus, extending the ownership base of economic activity, a policy aimed at opening the door to the private sector, both local and foreign, to diversify income and create more jobs has to be part of the new development strategy. This requires the appropriate policies and measures for motivating the private sector. In addition, efforts need to be coordinated with local and international organisations to reassure investors by granting guarantees against the risks of nationalisation, dispossession, seizure, reservation or freezing assets or any other procedures with a similar effect.

(v) Protection of investors' rights and the establishment of private property are essential elements of a market economy which can attract FDI. Legislation and an institution to facilitate the establishment of investment projects is an important institutional development in this direction. In this regard, the establishment of a governmental agency, such as the LIB, for protecting investors will assist investors to overcome potential bureaucratic obstacles, in addition to the advice and assistance the institution can provide through the likes of regular newsletters in relation to investment areas with high potential profits. This agency is also expected to

coordinate between the various companies as well as the local and international development centres for boosting the technical capabilities of these companies.

(vi) The introduction of one stop shop (OSS) to act as a mediator between the investor and the different government bodies must be considered. It should have the authority to license investment projects within a week of receipt of the application by minimising the number of required documents. This will require amendments to the law of investment so that the only one licence is needed for the execution of a project.

(vii) Financial services have to be reformed to create an efficient and progressive financial industry. There is a need to improve the infrastructure of the financial services by introducing electronic banking and financial services. In addition to the institutional development, product and services diversification and engineering are also essential for ensuring capital growth and financial development. Furthermore, in the short-term, it is also crucial to allow Islamic financial institutions to play a role in the Libyan market, which would enhance the financial base. Moreover, insurance companies should be pushed to increase their capital base and foreign investment encouraged in the insurance business. In this context, the Libyan stock market also has an important role to play by facilitating the process of transforming savings into investment capital through improving its organisational structure. Lastly, more liberalised exchange rate regimes must be adopted to make international transfers easier.

(viii) A new vision and strategy has to be developed to make Libya an important financial and economic hub for Africa (Libya the gateway to Africa). Such a vision should aim at building an inter-continental network of roads and railway lines to join the northern African coast from Morocco to Egypt as well as the African states to the south. This project would open new horizons for international cooperation particularly in the area of investment not only in an Afro-Arab context but also in a European context particularly in the Mediterranean region.

(ix) The transportation system requires a total overhaul. An integrated vision is essential to maximise the use of the country's location, and activate the process of integration with the international economy so that the air and sea transport and cargo industry becomes open and competitive involving local and international companies that provide services to the consumers' satisfaction. This should take place within a

matriculate system in terms of quality and safety to meet international standards. It is also important to finalise the development schemes and the classification of utilities into major and minor categories, commercial and tourist. However, in the short-term, the main challenge is dealing with traffic congestion within the city centres particularly in major cities where the population density is high and investment is intense through enforcing the law and raising road traffic awareness, encouraging investment in public transport, and encouraging the use of private vehicles for public transport. A further major challenge is to seek reliable funding for an underground metro project in the major cities particularly Tripoli and Benghazi.

(x) A reliable land navigation system is needed as a tool to help to facilitate the postal and delivery service and replace the traditional P.O.Box system. For this to be implemented streets require to be named and utilities and houses to be coded. In addition, the introduction of e-mail services will provide a major step forward in relation to information exchange.

(xi) Integrated infrastructure development should be the main aim of the new development strategy. It is important to complete and improve the infrastructure services particularly in the area of electrical power supply, water and sewage, and disposal of solid waste especially in rural areas. It is essential that the electric power network be connected with high voltage (400kw) networks to avoid power cuts which cause damage that exceed the connection costs.

(xii) To coordinate all the investment efforts a new strategy including an investment map must be developed. Such a map should be considered an important tool to help the process of organising investment in natural resources through the location of industrial estates near the sites of production of these resources and the potential markets. The idea of this map should be promoted and advertised among the counties in order to raise awareness as to its importance and the potential benefits for the regions.

(xiii) A sustainable development-oriented strategy with green revolution must be aimed at. Thus, a political and cultural campaign should be aimed at promoting the investment in natural resources through the funding of studies in relation to these resources. In addition, specialised markets for natural resources should be created to

boost investment levels. However, the strategy should take account of the preservation of the natural environment to ensure a better quality of life.

(xiv) A specialised market for natural resources should be created supported by the relevant to ensure the quality of these resources. In addition, the sectors involved with these materials such as the food industry, cement and construction industry, petrochemicals, glass and paper should be commercially promoted for FDI. Other sectors to be assisted include the agricultural sector, including cereal crops, olives, palms, almonds and animal breeding, and the tourism sector.

(xv) Specialised industrial estates must be considered to help boost integrated industrial development. One of the methods used could be establishing projects near sites of the production of raw materials which would contribute to the regional development particularly in rural areas.

(xvi) The Libyan labour market requires legal and institutional reforms, including effective measures to stop illegal immigration and to facilitate the process of importing labour from abroad legally if local labour cannot meet the requirements of the companies. In addition, more attention needs to be given to the development of local human resources particularly in areas where skilled labour is scarce in order to reduce unemployment.

(xvii) An international relations strategy based on cooperation must be developed. By increasing interaction with states and international organisations it will expand opportunities to develop markets to include the Euro-Mediterranean countries, the African Union countries and countries of the Arab League. In addition, Libya has a role to play in the international arena by becoming a partner of the EU and a member of the WTO.

In sum, Libya has to undertake the delayed economic, financial, legal, administrative and political reforms to create the base for efficient resource creation and utilisation in order to boost economic development. This will provide the opportunity for the development of a market economy and also integration into the global economy thereby engaging with multinational companies in order to attract further FDI.

10.4 SUGGESTIONS FOR FURTHER RESEARCH

This study was conducted ten years after the establishment of the LIB and five years after the start of flow of FDI into the Libyan economy. Therefore, studies are needed from time to time so that the impact of changes in the Libyan business environment on the flow of FDI into the Libyan economy can be assessed.

In addition, this study featured a sample of investors representing many nationalities. Research which focuses on specific countries such as Britain and the UAE or the EU countries is needed to investigate the attitudes of investors from these countries towards the Libyan business environment, and the contribution their capital investment makes towards the added value of the manufacturing sector. Taking into account the importance of the Barcelona Process and the other efforts by the EU, it is essential that perceptions of EU stakeholders in relation to Libyan economy and potential FDI areas from the EU are studied.

Thirdly, since this study covered a representative sample of all foreign and joint companies connected with different business activities, an intensive study should be conducted to ascertain the attitudes of specific foreign investors in specific sectors such as agriculture, fishing, food industries, construction materials, communications equipment, real estate and tourism.

Fourthly, this study featured samples from all the counties in Libya. However, a specialised study would be useful to investigate the attitudes of international investors towards the business environment in each of the counties, and the role that FDI plays in regional development, specifically in rural counties.

Fifth, more comparative studies are needed to compare the Libyan business environment with that of other countries, particularly those which have characteristics similar to the Libyan economy.

Sixth, is the researcher recommends that every five years or so an investigation is undertaken into the dynamics and changes in the general economic variables (such as economic growth, inflation, unemployment, real interest rates and exchange rates) on the flow of FDI into the Libyan market.

Lastly, with the availability of the secondary data, it would be useful to conduct an econometric study to locate the determinants of FDI in Libya.

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APPENDICES

Appendix 1: The Questionnaire

School of Government and International Affairs
Institute of Middle East and Islamic Studies
Al-Qasimi Building
Elvet Hill Road, DURHAM DH1 3TU, UK
http://www.durham.ac.uk/sgia

Questionnaire Survey

Perceptions of Foreign Individuals and Companies on Foreign Direct Investment Operations in Libya

Dear Participant,

This survey aims to gain information to better understand the issues related to Foreign Direct Investment in Libya by focusing on the perception of foreign individuals and companies operating in Libya. It is part of a Ph.D. research project conducted by myself at the School of Government and International Affairs, Durham University, United Kingdom.

You are kindly requested to spare some of your valuable time to complete this questionnaire survey. Please be assured that the information provided in this questionnaire will be treated with extreme confidentiality, and therefore please note that this questionnaire does not ask your name. Your full cooperation will contribute to the successful completion of this research. Your cooperation, is, therefore, very much appreciated.

Should you require further clarification, please do not hesitate to contact the researcher, Salem Abdulla on the address shown below.

Thank you very much for your valuable time and for your cooperation.

Best Wishes

Salem Abdulla

Ph.D. Researcher

School of Government and International Affairs,

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E-mail: s.a.m.abdulla@dur.ac.uk P.O.Box: 13596 Alfateh University

Part One: General Information

Part One A: Personal Information

1. What is your nationality?

(Please tick where appropriate)

Nationality	Mark	Nationality	Mark
Libyan	☐	Maltese	☐
British	☐	Tunisian	☐
UAE	☐	Egyptian	☐
Italian	☐	German	☐
Other, please specify (…….)			

2. What is your level of education?

☐ Elementary school
☐ Intermediate school
☐ BSc level
☐ Postgraduate
☐ Other (Please specify) (…….)

3. For how long have you been working abroad?

☐ Less than 5 years
☐ 5-10 years
☐ 11-15 years
☐ 16-20 years
☐ More than 20 years

4. In how many countries have you worked?

☐ None
☐ One country
☐ Two countries
☐ Three countries
☐ More than three countries

5. For how long have you been working in Libya?

☐ Less than 5 years
☐ 5-10 years
☐ 11-15 years
☐ 16-20 years
☐ More than 20 years

6. How do you describe your current job?

☐ Board chairman
☐ General Director
☐ Manager
☐ Head of department
☐ Other (Please specify) (…….)

Part One B: Company Information

7. What is the nationality of your company?

(Please tick where appropriate)

Nationality	Mark	Nationality	Mark
Partnership	☐	UAE	☐
Saudi	☐	Tunisian	☐
Maltese	☐	Chinese	☐
British	☐	French	☐
Other, please specify (…….)			

8. In what business activity is your company involved?

(Please tick where appropriate)

Field	Mark	Field	Mark
Engineering industry	☐	Education services	☐
Food industry	☐	Tourist services	☐
Building materials industry	☐	Marine services	☐
Agricultural	☐	Medical service	☐
Other, please specify (……..…….)			

9. What is the status of executive of your project?

Under Implementation ☐ In Operation ☐

10. In which city is your company working?

(Please tick where appropriate)

City	Mark	City	Mark
Tripoli	☐	Al-Zawiyah	☐
Al-Jfara	☐	Al-Nugat Al-Khams	☐
Benghazi	☐	Sibratah and Surman	☐
Tarhoona and Mislata	☐	Misratah	☐
Other, please specify (……..…….)			

11. For how long has your company been involved in business abroad?

☐ Less than 5 years
☐ 5-10 years
☐ 11-15 years
☐ 16-20 years
☐ More than 20 years

12. In how many countries has your company worked?

☐ None
☐ 1-5 countries
☐ 6-10 Countries
☐ More than 10 countries
☐ I am not sure

13. How long has your company been in Libya for?

☐ Less than 2 years
☐ 2-4 years
☐ More than 4 years

Part Two: Economic Resources

Part Two A: Human Resources

14. How would you rate your level of satisfaction with the quality of local human resources?

(Please tick where appropriate)

Field	Satisfied	Not Sure	Dissatisfied
Language			
Technical knowledge			
Teamwork			

15. What difficulties or problems has your company faced in your operation with regard to human resources in Libya?

(Please tick where appropriate)

Area of difficulty	Mark
None	☐
Importing foreign labour	☐
Laws that specify the number of local employment	☐
Scarcity of skilled labour	☐
Other, please specify (……)	

Part Two B: Natural Resources

16. Do you depend on local natural resources in the production process?

Yes ☐ No ☐

17. What are the difficulties or problems that your business has encountered regarding the availability of the local natural resources?

(Please tick where appropriate)

Difficulty or problem	Mark
None	☐
Low quality materials	☐
A limited supply of materials	☐
High prices	☐
Other, please specify (……)	

Part Two C: Infrastructure Services

18. How would you rate your level of satisfaction with the following services?

(Please tick where appropriate)

Service	Satisfied	Not Sure	Dissatisfied
Banking			
Insurance			
Electric power			
Water and sewage			
Telecommunication			
Postal service			
Land transport			
Maritime transport			
Air transport			
Disposal of solid waste			

Part Three: Investment Climate

19. How would you rate the following social and political variables?

(Please tick where appropriate)

Aspect	Satisfied	Not Sure	Dissatisfied
Institutional stability			
Stability of rules			
Crime rate			
Entry and exit visas			

20. How would you rate the following economic and financial issues in Libya in relation to your project?

(Please tick where appropriate)

Issue	Satisfied	Not Sure	Dissatisfied
Importing capital			
Exporting funds			
Accounting procedures			
Audit system			

21. How do you do you rate the registration procedures for your project at the Libyan Board for Investment?

(Please tick where appropriate)

Statement	Satisfied	Not Sure	Dissatisfied
Initial application			
Procedures			

22. How long did it take for you to obtain the approval?

☐ Less than a month

☐ 1- Less than 2 months

☐ 2- Less than 3 months

☐ 3- Less than 4 months

☐ 4 months or more

Part Four: Guarantees and Polices

23. How would you rate your level of satisfaction with the legal guarantees given to investors in Libya?

(Please tick where appropriate)

Offer	Satisfied	Not Sure	Dissatisfied
Land ownership			
Nationalisation			
Tax exemption			
Transfer of profits			

24. How do you describe the business obstacles in Libya?

(Please tick where appropriate)

Obstacles	Mark
None	☐
Legal problems	☐
Financial difficulties	☐
Bureaucratic procedures	☐
Other, please specify (……)	

25. To what extent do you think the following policy guidelines are helpful in making the country more attractive to foreign investment?

(Please tick where appropriate)

Policy	Not helpful	Fairly helpful	Helpful
Industrial free zones			
Reducing capital required			
Simplifying Administrative procedures			
Allocation of land			
Improving the infrastructure			
Providing business maps			
Improving human resources			

Your cooperation is appreciated and please returns the questionnaire as soon as you finish answering all questions

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Appendix 2: Characteristics of the Research Population

No	Status	Type	Sha'bia	Sector	Nationality	N.A
1	Operating	Joint	Tripoli	Industry	L+ Kuwait	2
2	Operating	Joint	Tripoli	Industry	L+ UAE	1
3	Operating	Foreign	Tripoli	Service	Belgium	1
4	Operating	Joint	Tripoli	Industry	L+ British	2
5	Operating	Foreign	Tripoli	Industry	Cypriot	1
6	Operating	Foreign	Tripoli	Service	Maltese	1
7	Operating	Foreign	Tripoli	Service	Tunisian	1
8	Operating	Foreign	Tripoli	Service	British + French	2
9	Operating	Joint	Tripoli	Service	L+ Swiss	1
10	Operating	Foreign	Tripoli	Service	Maltese	1
11	Operating	Joint	Tripoli	Industry	L+ Belgium	2
12	Operating	Joint	Tripoli	Industry	L+ UAE	2
13	Operating	Joint	Tripoli	Industry	L+ Tunisian	2
14	Operating	Foreign	Tripoli	Industry	Cypriot	1
15	Operating	Foreign	Tripoli	Service	Saudi	1
16	Operating	Joint	Tripoli	Service	L+ Egyptian	2
17	Operating	Joint	Tripoli	Industry	L+ Maltese	1
18	Operating	Joint	Tripoli	Service	L+ British	2
19	Operating	Joint	Tripoli	Industry	L+ Greek	2
20	Operating	Joint	Tripoli	Service	L+ German	2
21	Operating	Joint	Tripoli	Service	L+ Qatari	2
22	Operating	Joint	Tripoli	Industry	L+ Bahamas	2
23	Operating	Joint	Tripoli	Service	L+ Qatari	2
24	Operating	Joint	Tripoli	Industry	L+ Canadian	2
25	Operating	Joint	Tripoli	Service	L+ French	2
26	Operating	Foreign	Tripoli	Service	Maltese	1
27	Operating	Joint	Tripoli	Service	L+ Maltese	2
28	Operating	Foreign	Tripoli	Industry	Saudi	1
29	Operating	Joint	Tripoli	Industry	L+ Egyptian	2
30	Operating	Joint	Tripoli	Industry	L+ Maltese	2
31	Operating	Joint	Tripoli	Industry	L+ German	2
32	Operating	Foreign	Tripoli	Service	South African	1
33	Operating	Foreign	Tripoli	Service	French	2
34	Operating	Joint	Tripoli	Industry	L+ Cypriot	2
35	Operating	Joint	Tripoli	Industry	L+ Italian	2
36	Operating	Foreign	Tripoli	Industry	Austrian	1
37	Operating	Foreign	Tripoli	Service	Tunisian + French	2
38	Implementation	Joint	Tripoli	Service	L+ Cypriot	2
39	Implementation	Joint	Tripoli	Service	L+ British	2
40	Implementation	Joint	Tripoli	Service	L+ UAE	2
41	Implementation	Joint	Tripoli	Industry	L+ Belgium	2
42	Implementation	Joint	Tripoli	Industry	L+ German	2
43	Implementation	Foreign	Tripoli	Industry	Tunisian	1
44	Implementation	Joint	Tripoli	Industry	L+ Maltese	2
45	Implementation	Joint	Tripoli	Service	L+ South Korean	2
46	Implementation	Joint	Tripoli	Service	L+ Dutch+ Italian	3
47	Implementation	Foreign	Tripoli	Service	Egyptian	1

Appendix 2: Continued

No	Status	Type	Sha'bia	Sector	Nationality	N.A
48	Implementation	Foreign	Tripoli	Service	British	1
49	Implementation	Joint	Tripoli	Service	L+ Iranian	2
50	Operating	Foreign	Al-Jfara	Industry	Egyptian	1
51	Operating	Joint	Al-Jfara	Industry	L+ German	2
52	Operating	Joint	Al-Jfara	Service	L+ British+ UAE	3
53	Operating	Foreign	Al-Jfara	Industry	British	1
54	Operating	Joint	Al-Jfara	Industry	L+ American	2
55	Operating	Joint	Al-Jfara	Service	L+ British	2
56	Operating	Joint	Al-Jfara	Industry	L+ American	2
57	Operating	Joint	Al-Jfara	Industry	L+ American	2
58	Operating	Joint	Al-Jfara	Industry	L+ UAE	2
59	Operating	Joint	Al-Jfara	Industry	L+ Cypriot	2
60	Operating	Joint	Al-Jfara	Industry	L+ UAE	1
61	Implementation	Joint	Al-Jfara	Industry	L+ Tunisian	2
62	Implementation	Joint	Al-Jfara	Industry	L+ Tunisian	2
63	Implementation	Joint	Al-Jfara	Industry	L+ Iranian	2
64	Implementation	Joint	Al-Jfara	Industry	L+ Spanish	2
65	Implementation	Foreign	Al-Jfara	Industry	Tunisian	1
66	Implementation	Joint	Al-Jfara	Industry	L+ Chinese	2
67	Implementation	Joint	Al-Jfara	Industry	L+ British	2
68	Implementation	Joint	Al-Jfara	Service	L+ Italian	2
69	Operating	Joint	Benghazi	Service	L+UAE	2
70	Operating	Joint	Benghazi	Industry	L+ Dutch	2
71	Operating	Joint	Benghazi	Service	L+ British	1
72	Operating	Foreign	Benghazi	Service	Egyptian	1
73	Operating	Foreign	Benghazi	Agriculture	British	1
74	Operating	Joint	Benghazi	Industry	L+ Jordanian, American	2
75	Operating	Joint	Benghazi	Industry	L+ Morocco	2
76	Operating	Foreign	Benghazi	Service	British	1
77	Operating	Joint	Benghazi	Service	L+ UAE	2
78	Implementation	Joint	Benghazi	Industry	L+ Maltese, Turkish	3
79	Implementation	Foreign	Benghazi	Service	British	1
80	Operating	Foreign	T&M	Agriculture	British	1
81	Operating	Joint	T&M	Service	L+ Italian	2
82	Implementation	Foreign	T&M	Agriculture	Spanish	1
83	Implementation	Joint	T&M	Industry	L+ Bahraini	2
84	Operating	Joint	Al-Zawiyah	Industry	L+ Chinese	2
85	Operating	Joint	Al-Zawiyah	Industry	L+ British	2
86	Operating	Joint	N&K	Industry	L+ Tunisian	2
87	Implementation	Joint	N&K	Industry	L+ Jordanian	2
88	Implementation	Foreign	N&K	Service	Muishuci	1
89	Operating	Joint	S&S	Service	L+ Tunisian	2
90	Implementation	Joint	S&S	Service	L+ Tunisian	2
91	Implementation	Joint	Misratha	Industry	L+ Egyptian	2
92	Implementation	Joint	Misratha	Industry	Spanish +UAE+ Italian	3
93	Implementation	Joint	Al-Margab	Industry	L+ Belgium	2
94	Implementation	Foreign	Charyan	Industry	Chinese	1
Total						**164**

L= Libyan; N.A= Number of actors; T&M= Tarhoona and Mislata; N&K= Al-Naugat Al-Khams; S&S= Sabratha and Srman.

Appendix 3: Characteristics of the Research Sample

No	Status	Type	Sha'bia	Sector	Nationality	N.A
1	Implementation	Joint	Tripoli	Service	L+ Italian + Dutch	3
2	Implementation	Joint	Tripoli	Service	L+ Egyptian	2
3	Implementation	Joint	Tripoli	Service	L+ S. Korean	2
4	Implementation	Joint	Tripoli	Service	L+ Iranian	2
5	Implementation	Joint	Tripoli	Industry	L+ Cypriot	2
6	Implementation	Joint	Tripoli	Industry	L+ Belgium	2
7	Operating	Foreign	Tripoli	Service	Belgium	2
8	Operating	Joint	Tripoli	Service	L+ German	2
9	Operating	Joint	Tripoli	Service	L+ Qatari	2
10	Operating	Foreign	Tripoli	Service	Maltese	1
11	Operating	Joint	Tripoli	Service	L+ Swiss	1
12	Operating	Foreign	Tripoli	Service	Maltese	1
13	Operating	Foreign	Tripoli	Service	Saudi	1
14	Operating	Foreign	Tripoli	Service	French	2
15	Operating	Foreign	Tripoli	Service	South African	1
16	Operating	Joint	Tripoli	Service	L+ Egyptian	2
17	Operating	Joint	Tripoli	Industry	L+ Kuwaiti	2
18	Operating	Joint	Tripoli	Industry	L+ UAE	1
19	Operating	Foreign	Tripoli	Industry	Cypriot	1
20	Operating	Foreign	Tripoli	Industry	Saudi	1
21	Operating	Joint	Tripoli	Industry	L+ Egyptian	2
22	Operating	Joint	Tripoli	Industry	L+ Italian	2
23	Operating	Joint	Tripoli	Industry	L+ UAE	2
24	Operating	Joint	Tripoli	Industry	L+ UAE	1
25	Operating	Joint	Tripoli	Industry	L+ German	2
26	Implementation	Joint	Tripoli	Industry	L+ Tunisian	2
27	Implementation	Joint	Tripoli	Service	L+ Italian	2
28	Implementation	Joint	Tripoli	Industry	L+ Chinese	2
29	Implementation	Foreign	Tripoli	Industry	Tunisian	2
30	Operating	Joint	Tripoli	Service	L+ British	2
31	Operating	Foreign	Tripoli	Industry	British	1
32	Operating	Joint	Tripoli	Industry	L+ German	2
33	Operating	Joint	Tripoli	Industry	L+ Cypriot	2
34	Operating	Joint	Tripoli	Industry	L+ UAE	2
35	Operating	Joint	Tripoli	Industry	L+ UAE	1
36	Operating	Joint	Tripoli	Service	L+ British	2
37	Operating	Foreign	Tripoli	Industry	Cyprus	1
38	Operating	Joint	Tripoli	Service	L+ British	1
39	Operating	Foreign	Tripoli	Agriculture	British	1
40	Operating	Joint	Tripoli	Industry	L+ Morocco	2
41	Operating	Joint	Tripoli	Industry	Jordanian + American	2
42	Operating	Joint	Tripoli	Service	L+ Italian	2
43	Implementation	Foreign	Tripoli	Agriculture	Spanish	2
44	Operating	Joint	Tripoli	Industry	L+ Chinese	2
45	Implementation	Joint	Tripoli	Industry	L+ Jordanian	2
46	Implementation	Joint	Tripoli	Industry	Italian+ Tunisian	2
47	Implementation	Joint	Tripoli	Industry	L+ Italian	2
48	Implementation	Foreign	Tripoli	Industry	Chinese	1
Total						**81**

N.A: Number of actors.

Appendix 4: Application Form for Approval on Establishing an Investment Project

Appendix 5: Application Form for Approval
on Establishing an Investment Project

الجماهيرية العربية الليبية الشعبية الاشتراكية العظمي
The Great Socialist People's Libyan Arab Jamahiriya

الهيئة العامة للتمليك والاستثمار
Privatization & Investment Board

طلب موافقة على إقامة مشروع إستثماري

Application Form for Approval
on Establishing an Investment Project

Appendix 4: Continued

First: Applicant's Personal Data — أولاً : بيانات عن مقدم الطلب

Name of applicant:..... : أسم مقدم الطلب

Nationality: ..... :الجنسية Position: ...../ الصفة

I.D Card or Passport No (copy to be ..... :(مرفق صورة)البطاقة أوجوازالسفر attached):

Mobile:..... / النقال Tel:..... / الهاتف

Fax:..... :بريد مصور

..... Date:/ التاريخ E-mail:..... : البريد الإلكتروني

Signature: ..... / التوقيـــع

Second : Investor's Data — ثانياً : بيانات عن المستثمر

الهاتف Tel	نسبة المساهمة The percentage of contribution	نوع العملة Type of Currency	قيمة المساهمة Valuable contribution	الجنسية Nationality	أسم المستثمر Investor's Name	ر.م
						.1
						.2
						.3
						.4
						.5

Third: Project's detail — ثالثاً : معلومات أولية عن المشروع

1. أسم المشـــــــــروع : ..... Project's name :
2. الشكل القانوني للمشروع : ..... Legal body of the project:
3. مجال الاســـــــــتثمار: ..... Area of investment :

Appendix 4: Continued

4. نوع النشـــــــــــاط : ..... Type of activity :

5. الموقع المقـــــــــترح : ..... Proposed Site :

6. المســاحة المطـــــلوبة : ..... Area Wanted :

7. نوع الانتفاع بالمـــــوقع : ..... Type of benefit from site :

8. مدة تنفيذ المشـــــــروع : ..... Project time line :

9. العمر الافتراضي للمشروع : ..... Construction period :

11. التكاليف الاستثمارية للمشروع " حجم الاستثمار المتوقع " : Project's capital costs

Description	الإجمـــالي Total	وطني Local	اجنبي Foreign ما يعادل بالعملة الوطنية equal. In local currency	البيـــــان
Land				• أرض .
Buildings and structures				• مباني و إنشاءات .
Machinery and equipment				• آلات ومعدات
Various means of transportation				• وسائل نقل مختلفة
Furniture and appliances				• أثاث وتجهيزات
Knowhow(recognition worth)				• حق المعرفة (إن وجدت)
Establishment expenses				• مصروفات تأسيس
B- Working capital				• رأس المال العامل(مستلزمات تشغيل ونقدية)
Total investment costs				إجمالي قيمـــة التكـاليف الاستثمارية

12. نبذه عن المشروع : About the project :

.....
.....
.....
.....
.....
.....
.....

Appendix 4: Continued

ملاحظات NOTES	ألاجمالـــى بالدينار Total	وطنـــــي Local	Value of قيمة المشاركةالأجنبية partnership		Description البيان
			ما يعادله بالعملة الوطنية Equal. In local currency	عملة أجنبية Foreign Currency	
					Capital رأس المال
					Partner funding تمويل شركاء
					Foreign Loans قروض أجنبية
					Local loans قروض محلية
					Other sources مصادر أخري
					Total الإجمالـــــي

Applied technology: التقنية المستخدمة:

- نوع الآلات والمعدات (إن وجدت) ، (يرفق بيان تفصيلي

.....

- Type of machinery and equipment (if available, please attach detailed statement)

.....

Sources of raw material: 14. مصادر المواد الخام المستخدمة :

Foreign : % ..... أجنبية Local : % ..... محلية

15.الأثر البيني للمشروع وطرق معالجته (إن وجدت)

.....

Project's environmental impact and ways of dealing with it (if any):

.....

16. نوع السلعة المنتجة أو الخدمة المقدمة (حسب نوع النشاط)

Type of produced goods or services (by the type of activity)

.....

.....

.....

17. الطاقة الإنتاجية أو الإستيعابية (حسب نوع النشاط):

Energy production and absorption

.....

Employment of Manpower: 18. العمالة المستخدمة:

Foreign: ..... أجنبية Local: ..... وطنية

Appendix 4: Continued

19. البرامج التدريبية للعمالة الوطنية بالمشروع :
Training Programs to the local manpower in the project

.....
.....
.....

20. خبرة المستثمر في هذا النشاط أو أي نشاط آخر:
Experience of investor in this activity or other activity

.....
.....
.....

21. أي بيانات إضافية
Any addition information

.....
.....
.....
.....

22.ملاحظات الهيئة (تعبأ من قبل إدارة الهيئة)
Authority Notes(fill it from the authority management)

.....
.....
.....
.....
.....